**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF DELAWARE**

| | |
|---|---|
| In re:<br><br>ROADHOUSE HOLDING INC., *et al.*,[1]<br><br>Debtors. | Chapter 11<br><br>Case No. 16 -11819 (BLS)<br><br>(Jointly Administered) |

**NOTICE OF (I) FILING OF EXHIBITS TO DISCLOSURE STATEMENT, AND (II) PROPOSED REVISIONS TO DISCLOSURE STATEMENT**

**PLEASE TAKE NOTICE** on August 16, 2016, the above-captioned debtors and debtors in possession (the "**Debtors**") filed the *Disclosure Statement for Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* [Docket No. 115] (the "**Disclosure Statement**"). A hearing to consider approval of the Disclosure Statement is currently set for September 23, 2016 at 9:30 a.m. (ET) (the "**Disclosure Statement Hearing**"). The Debtors intend to file an amended Disclosure Statement prior to the Disclosure Statement Hearing

**PLEASE TAKE FURTHER NOTICE** that attached hereto as Exhibit 1 are the Financial Projections, Valuation Discussion, and Liquidation Analysis, which are Exhibits D, E and F to the Disclosure Statement.

**PLEASE TAKE FURTHER NOTICE** that attached hereto as Exhibit 2 is a blackline showing certain proposed revisions to the Disclosure Statement.

**PLEASE TAKE FURTHER NOTICE** that the Debtors reserve the right to further amend the Disclosure Statement and to amend the Plan, including any and all exhibits attached thereto.

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Roadhouse Holding Inc. (5939); Roadhouse Intermediate Inc. (6159); Roadhouse Midco Inc. (6337); Roadhouse Parent Inc. (5108); LRI Holdings, Inc. (4571); Logan's Roadhouse, Inc. (2074); Logan's Roadhouse of Texas, Inc. (2372); and Logan's Roadhouse of Kansas, Inc. (8716). The location of the Debtors' corporate headquarters is 3011 Armory Drive, Suite 300, Nashville, Tennessee 37204.

Dated: Wilmington, Delaware
September 12, 2016

*/s/ Ryan M. Bartley*

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**EXHIBIT 1**

**Exhibits D, E and F**

# EXHIBIT D

## Financial Projections

| Logan's Roadhouse, Inc. ($000's) | 2016 Jan-Jun | 2016 Jul-Dec | 2016 Total | 2017 Total | 2018 Total | 2019 Total |
|---|---|---|---|---|---|---|
| **Store Count** [1] | **230** | **213** | **213** | **213** | **213** | **213** |
| Gross Sales | 316,683 | 272,981 | 589,664 | 593,441 | 611,244 | 629,581 |
| Discounts | 14,281 | 14,252 | 28,533 | 28,878 | 29,744 | 30,637 |
| **Net Sales** | **302,402** | **258,729** | **561,131** | **564,563** | **581,500** | **598,945** |
| Food and Liquor Cost | 103,821 | 88,055 | 191,876 | 189,279 | 194,713 | 200,546 |
| *Percentage of Net Food Sales* [2] | *34.8%* | *34.6%* | *34.7%* | *34.1%* | *34.1%* | *34.1%* |
| Labor Cost | 94,131 | 81,072 | 175,203 | 169,784 | 173,814 | 177,491 |
| *Percentage of Net Sales* | *31.1%* | *31.3%* | *31.2%* | *30.1%* | *29.9%* | *29.6%* |
| **Gross Profit** | **104,451** | **89,602** | **194,053** | **205,499** | **212,973** | **220,907** |
| *Percentage of Net Sales* | *34.5%* | *34.6%* | *34.6%* | *36.4%* | *36.6%* | *36.9%* |
| Operating Expenses [3] | 36,085 | 31,327 | 67,412 | 64,544 | 66,539 | 68,477 |
| Repair & Maintenance | 6,143 | 5,588 | 11,731 | 11,808 | 12,184 | 12,550 |
| Occupancy Cost [4] | 28,095 | 26,201 | 54,297 | 51,337 | 52,039 | 53,181 |
| *Percentage of Net Sales* | *9.3%* | *10.1%* | *9.7%* | *9.1%* | *8.9%* | *8.9%* |
| General & Administrative [5] | 18,919 | 15,595 | 34,514 | 35,922 | 35,372 | 36,080 |
| *Percentage of Net Sales* | *6.3%* | *6.0%* | *6.2%* | *6.4%* | *6.1%* | *6.0%* |
| Advertising | 7,163 | 7,512 | 14,676 | 16,681 | 16,681 | 16,681 |
| *Percentage of Net Sales* | *2.4%* | *2.9%* | *2.6%* | *3.0%* | *2.9%* | *2.8%* |
| **EBITDA** [6] | **8,045** | **3,379** | **11,424** | **25,208** | **30,158** | **33,938** |
| *Adjustments to EBITDA:* | 4,585 | 850 | 5,435 | 512 | | |
| **Adjusted EBITDA** | **12,630** | **4,229** | **16,859** | **25,720** | **30,158** | **33,938** |

**Footnotes:**

(1): Reflects the closure of 17 units in August 2016.

(2): Reflects food cost as a percentage of net food sales.

(3): 2016 reflects store closure costs of approximately $850K.

(4): Reflects occupancy cost savings of $2.5MM in both 2017 & 2018.

(5): Reflects one-time nonrecurring outsourcing related costs.

**Logan's Roadhouse, Inc.**
Emergence Date Cash Analysis

| | | |
|---|---|---|
| Cash Balance at Exit (1) | $ | 13,580 |
| Remaining New Money Facility Availability | | 4,927 |
| Refund of Utility Deposit (2) | | 750 |
| **Total Cash** | **$** | **19,257** |

| | | |
|---|---|---|
| **Potential Closing Cost** | | |
| 503(b)(9) | $ | 580 |
| General Unsecured Claims Pool (3) | | 350 |
| Aggregate Cash-Out Payments (4) | | 1,830 |
| Cure Costs (leases) and Unpaid Administrative Rent | | 3,700 |
| Cure Costs (contracts) | | 1,500 |
| Accrued/Unpaid Professional Fees | | 3,600 |
| **Total Potential Closing Costs** | **$** | **11,560** |
| **Net Projected Cash** | **$** | **7,697** |

1. Reflects cash balance per the Debtors' most recent Budget, net of timing impact of rent payments.
2. Assumes the recoupment of remaining portion of the utility deposit
3. Assumes Class 6 accepts the Plan
4. Assumes Class 5 accepts the Plan

# EXHIBIT E

## Valuation Discussion

# VALUATION ANALYSIS

## Estimated Enterprise and Implied Equity Valuation of the Reorganized Debtors

THE VALUATION INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN. THIS VALUATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE[15] TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS.

Solely for purposes of the Plan and the Disclosure Statement, Jefferies LLC ("**Jefferies**"), as investment banker and financial advisor to the Debtors, has estimated the total enterprise value (the "**Total Enterprise Value**") and implied equity value (the "**Equity Value**") of the Reorganized Debtors on a going concern basis and pro forma for the transactions contemplated by the Plan.

In preparing the estimates set forth below, Jefferies has relied upon the accuracy, completeness, and fairness of financial and other information furnished by the Debtors. Jefferies did not attempt to independently audit or verify such information, nor did it perform an independent appraisal of the assets or liabilities of the Debtors or Reorganized Debtors.

The valuation information set forth in this section represents a valuation of the Reorganized Debtors based on the application of standard valuation techniques. The estimated values set forth in this section:

(a) do not purport to constitute an appraisal of the assets of the Debtors or Reorganized Debtors;

(b) do not constitute an opinion on the terms and provisions or fairness from a financial point of view to any person of the consideration to be received by such person under the Plan;

(c) do not constitute a recommendation to any Holder of Allowed Claims as to how such person should vote or otherwise act with respect to the Plan; and

(d) do not necessarily reflect the actual market value that might be realized through a sale or liquidation of the Debtors or Reorganized Debtors.

In estimating the Total Enterprise Value and implied Equity Value of the Reorganized Debtors, Jefferies consulted with the Debtors' Co-Chief Restructuring Officers and senior management team to discuss the Debtors' operations and future prospects, reviewed the Debtors'

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[15] Unless otherwise defined herein, capitalized terms have the meaning ascribed to them in the *Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code*, dated August 16, 2016 (the "**Plan**"), filed by Roadhouse Holding Inc. and its affiliated Debtors or the Disclosure Statement (as defined in the Plan).

historical financial information, and reviewed certain of the Debtors' internal financial and operating data, including the Debtors' financial projections for the Reorganized Debtors attached as **Exhibit D** to the Disclosure Statement (the "**Financial Projections**").

The estimated values set forth herein assume that the Reorganized Debtors will achieve the Financial Projections in all material respects. Jefferies has relied on the Debtors' representation and warranty that the Financial Projections (a) have been prepared in good faith; (b) are based on fully disclosed assumptions, which, in light of the circumstances under which they were made, are reasonable; (c) reflect the Debtors' best currently available estimates; and (d) reflect the good faith judgments of the Debtors. Jefferies does not offer an opinion as to the attainability of the Financial Projections. As disclosed in the Disclosure Statement, the future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors and Jefferies, and consequently are inherently difficult to project.

This report contemplates facts and conditions known and existing as of September 9, 2016. Events and conditions subsequent to this date, including updated projections, as well as other factors, could have a substantial effect upon the Total Enterprise Value and implied Equity Value. Among other things, failure to consummate the Plan in a timely manner may have a materially negative effect on the Total Enterprise Value and implied Equity Value. For purposes of this Valuation Analysis, Jefferies has assumed that no material changes that would affect value will occur between September 9, 2016 and the contemplated Effective Date of November 14, 2016.

The following is a summary of analyses performed by Jefferies to arrive at its recommended range of estimated Total Enterprise Value and implied Equity Value of the Reorganized Debtors.

1. **Discounted Cash Flow Analysis**

The discounted cash flow analysis relates the value of an asset or business to the present value of expected future cash flows generated by that asset or business. The discounted cash flow analysis discounts the expected future cash flows by a theoretical or observed discount rate, in this case determined by estimating the cost of equity and cost of debt for the subject company based upon analysis of similar publicly traded companies. This approach has two components: (i) calculating the present value of the projected unlevered after-tax free cash flows for a determined period and (ii) adding the present value of the terminal value of cash flows. The terminal value represents the portion of enterprise value that lies beyond the time horizon of the available projections.

In performing the discounted cash flow analysis, Jefferies made assumptions for (i) the weighted average cost of capital (the "**Discount Rate**"), which is used to calculate the present value of future cash flows; and (ii) the terminal Adjusted EBITDA multiple, which was used to determine the terminal value of the Reorganized Debtors. Jefferies used a range of Discount Rates for the Reorganized Debtors, which reflects a number of company and market-specific factors, and is calculated based on the cost of capital for companies that Jefferies deemed similar. In determining Adjusted EBITDA terminal multiples, Jefferies relied upon various analyses

including, among other things, the range of Adjusted EBITDA trading multiples of projected performance for the next calendar year of selected publicly traded companies that Jefferies deems to be similar to the Reorganized Debtors.

This approach relies on the Debtors' ability to project future cash flows with some degree of accuracy. Because the projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized.

**2. Comparable Companies Analysis**

The comparable companies analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, the enterprise value for each selected public company is determined by examining the trading prices for the equity securities of such company in the public markets and adding the outstanding net debt for such company. Such enterprise values are commonly expressed as multiples of various measures of financial and operating statistics, most commonly Adjusted EBITDA. The Total Enterprise Value is then calculated by applying these multiples to the Reorganized Debtors' projected financial metrics. The selection of public comparable companies for this purpose was based upon the business profile, scale, profitability and other characteristics of the comparable companies that were deemed relevant.

**Total Enterprise Value and Implied Equity Value**

As a result of the analysis described herein, Jefferies estimated the Total Enterprise Value of the Reorganized Debtors to be approximately $131 million to $157 million, with a mid-point of $144 million. Based on assumed pro forma total debt of $103 million and assumed pro forma excess cash of $0 as of the Effective Date, the Total Enterprise Value implies an Equity Value range of $28 to $54 million, with a midpoint of $41 million. For purposes of determining the Total Enterprise Value and implied Equity Value, Jefferies has assumed that the Reorganized Debtors have no excess cash at emergence, which would otherwise be accretive to value. However, Jefferies has been advised that the amount of excess cash at emergence could range for zero to $5 million depending on, among other things, the actual amount of the costs of administering the Chapter 11 Cases (including, without limitation, professional fees paid by the Debtors) and which executory contracts and unexpired leases the Debtors elect to assume and the corresponding cure amounts.

The estimate of Total Enterprise Value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein depending on the results of the Debtors' and Reorganized Debtors' operations or changes in the financial markets. Additionally, these estimates of value represent the hypothetical enterprise value of the Reorganized Debtors as the continuing operator of their businesses and assets, and do not purport to reflect or constitute appraisals, liquidation values, or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. Such estimates were developed solely for purposes of formulation and negotiation of the Plan and analysis of

implied relative recoveries to creditors thereunder. The value of an operating business such as the Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such businesses.

Jefferies' estimated valuation range of the Reorganized Debtors does not constitute a recommendation to any holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan. The estimated value of the Reorganized Debtors set forth herein does not constitute an opinion as to the fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Because valuation estimates are inherently subject to uncertainties, none of the Debtors, Jefferies, or any other person assumes responsibility for their accuracy or any differences between the estimated valuation ranges herein and any actual outcome.

# EXHIBIT F

## Liquidation Analysis

## HYPOTHETICAL LIQUIDATION ANALYSIS

To assist the Court in making the findings required under section 1129(a)(7) of the Bankruptcy Code, the Debtors have prepared this hypothetical Liquidation Analysis. The Plan proposes distributions from the Debtors' estates on a consolidated basis, and this Liquidation Analysis has also been prepared on a consolidated basis. As such, proceeds realized from each Debtor are aggregated into a common distribution source. For purposes of distribution, each and every asserted Claim against and Equity Interest in any Debtor is entitled to a distribution from the aggregated proceeds. Any Claim against a Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors are deemed to have one right to a distribution from the aggregated proceeds.

The Liquidation Analysis presents both a "High" and "Low" range of estimated Liquidation Proceeds representing a range of management's assumptions and estimates relating to the proceeds to be received from the liquidation of the assets less the costs incurred during the liquidation. It is assumed that the Chapter 7 cases would be administered over a period of twelve months. The assumed date of the conversion to a hypothetical Chapter 7 Liquidation is approximately November 14, 2016 (the "**Conversion Date**"). It is assumed that a Chapter 7 trustee would be appointed for the Debtors (the "**Trustee**"), he or she would retain counsel and a financial advisor, and certain current corporate and field-based employees of the Debtors would be employed for a limited period to wind-down the Debtors' operations. The Liquidation Analysis further assumes that the Trustee does not possess the financial or operational resources to continue to operate the Debtors' restaurant locations for any period, including the extended period that would be required to conduct a going-concern sale process. As a result, the Liquidation Analysis assumes that the Trustee would immediately close company-operated locations and sell assets on an expedited basis. The Liquidation Analysis assumes, however, that the Trustee would undertake a 60 to 75 day marketing and auction process for the Debtors' leasehold interest and improvements on a non-operating basis ("**Store Sales**"), and the Liquidation Analysis reflects net proceeds form Store Sales that are exclusive of carrying costs for the stores after the Conversation Date, cure amounts, and transaction specific fees, costs and expenses. The Debtors' assumptions regarding the marketability and value of their leaseholds and improvements are based on the experience of the Debtors' management and real estate advisors. In an actual liquidation, it is possible that, due to purchaser-specific and macroeconomic factors, some of the leaseholds and improvements that the Debtors believe are valuable may not be sold. However, the Debtors believe that the values ascribed herein represent a reasonable estimate of what could be achieved from Store Sales conducted during a Chapter 7 liquidation.

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based upon a review of their books and records through the date of this analysis. The Liquidation Analysis also includes estimates for Claims which could be asserted and Allowed in a chapter 7 liquidation, including Administrative Claims, employee-related obligations, wind-down costs (as detailed herein), the Trustee's fees, tax liabilities, and other Allowed Claims. To date, the Court has not estimated or otherwise fixed the total amount of Allowed Claims. For purposes of the Liquidation Analysis, the Debtors' have estimated the amount of Allowed Claims and provided ranges of projected recoveries based on certain assumptions. Therefore, the Debtors' estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied upon for any

purpose other than considering the hypothetical distributions under a Chapter 7 liquidation. Nothing contained in the Liquidation Analysis is intended to be or constitutes a concession or admission by the Debtors. The actual amount of Allowed Claims in the Chapter 11 Cases could materially differ from the estimated amounts set forth in the liquidation analysis.

**Factors Considered in Valuing the Hypothetical Liquidation Proceeds**

Factors that could negatively impact the recoveries set forth in the Liquidation Analysis include: (i) turnover of key personnel; (ii) challenging economic conditions; (iii) delays in the liquidation process; (iv) possible difficulty in obtaining landlord consent to assume and assign leases to third party buyers; and (v) possible difficulty in finding willing buyers. Accordingly, these factors may limit the amount of the proceeds that are available to the Trustee through the liquidation of the Debtors' assets.

**Waterfall and Recovery Range**

The Liquidation Analysis assumes that the proceeds generated from the liquidation of all of the Debtors' assets, plus Cash estimated to be held by the Debtors on the Conversion Date, will be reasonably available to the Trustee and the Debtors' secured creditors will have consented to the use of cash collateral as set forth in the Liquidation Analysis and accompanying footnotes. After deducting the costs of liquidation, including, the Trustee's fees and expenses and other administrative expenses incurred in the liquidation, the Trustee would allocate net liquidation proceeds to holders of Claims and Interests in accordance with the priority scheme set forth in section 726 of the Bankruptcy Code. The Liquidation Analysis estimates high and low recovery percentages for Claims and Interests upon the Trustee's application of the liquidation proceeds.

The Debtors have worked with their advisors to estimate ranges of recoveries as provided in this Liquidation Analysis. These ranges are estimate and should not be relied upon by any party. The Debtors do not provide assurance of any recovery.

The statements in the Liquidation Analysis, including estimates of Allowed Claims, were prepared solely to assist the Court in making the findings required under section 1129(a)(7) of the Bankruptcy Code and they may not be used or relied upon for any other purpose.

THE DEBTORS BELIEVE THAT ANY ANALYSIS OF A HYPOTHETICAL LIQUIDATION IS NECESSARILY SPECULATIVE. THERE ARE A NUMBER OF ESTIMATES AND ASSUMPTIONS UNDERLYING THE LIQUIDATION ANALYSIS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR A CHAPTER 7 TRUSTEE. NEITHER THE LIQUIDATION ANALYSIS, NOR THE FINANCIAL INFORMATION ON WHICH IT IS BASED, HAS BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THERE CAN BE NO ASSURANCE THAT ACTUAL RESULTS WILL NOT VARY MATERIALLY FROM THE HYPOTHETICAL RESULTS PRESENTED IN THE LIQUIDATION ANALYSIS.

Roadhouse Holding Inc. and Subsidiaries
Hypothical Liquidation Analysis
All Debtors Combined
($ in thousands)

## Gross Liquidation Proceeds

| Asset Category | Estimated Value | Estimated Recoveries Low Value | Low Rate | Estimated Recoveries High Value | High Rate | See Attached Footnotes |
|---|---|---|---|---|---|---|
| Cash and Equivalents | $ 13,580 | $ 13,580 | 100% | $ 13,580 | 100% | 1 |
| Estimated Accrued and Unpaid Sales Tax | | (2,200) | | (1,800) | | 2 |
| Residual PACA Claims | | (750) | | (750) | | 3 |
| Net Cash and Equivalents | | 10,630 | | 11,030 | | |
| Receivables | 4,636 | 2,470 | 53% | 3,356 | 72% | 4 |
| Inventory | 13,553 | 136 | 1% | 498 | 4% | 5 |
| Prepaid and Other Current Assets | 4,633 | 171 | 4% | 574 | 12% | 6 |
| Property & Equipment, net | 162,119 | 1,750 | 1% | 4,821 | 3% | 7 |
| Goodwill | 93,988 | - | 0% | - | 0% | 8 |
| Tradename | 27,100 | - | 0% | 542 | 2% | 9 |
| Other Assets and Other Intangible Assets | 10,428 | - | 0% | - | 0% | 10 |
| Leasehold Interest | | 500 | | 1,250 | | 11 |
| Chapter 5 Actions and Other Litigation Recoveries | TBD | | | | | 12 |
| Gross Liquidation Proceeds | $ 319,609 | $ 15,656 | 5% | $ 22,071 | 7% | |

## Liquidation Costs and Reserve Claims

| Recovery of Claims and Costs | Range of Recovery Low | Range of Recovery High | |
|---|---|---|---|
| Operational Wind-Down Costs - Corp., Rest and Other Admin Claims | 2,940 | 2,252 | 13 |
| Chapter 7 Trustee Fees Estimated @ 3% | 470 | 662 | 14 |
| Chapter 7 Trustee Professionals | 750 | 500 | |
| Total Liquidation Fees and Expenses | 3,409 | 2,914 | |
| Net Liquidation Proceeds Available Before Professional Fee Carve out | $ 12,997 | $ 19,907 | |
| Carve-Out for Chapter 11 Professionals 1,747 | 1,747 | 1,747 | 15 |
| Net Liquidation Proceeds Available for Distribution | $ 11,250 | $ 18,159 | 16 |

## Distribution of Proceeds

| | | | | | | |
|---|---|---|---|---|---|---|
| Revolving Facility Lender Claims | 29,146 | 11,250 | 39% | 18,159 | 62% | 17 |
| DIP Facilities Claims | 62,385 | | 0% | | 0% | 18 |
| Notes Claims | 360,481 | | 0% | | 0% | 19 |
| Chapter 11 Administrative Expenses | 16,750 | | 0% | | 0% | 20 |
| Priority Claims | 5,000 | | 0% | | 0% | 21 |
| General Unsecured Claims | 66,786 | | 0% | | 0% | 22 |
| Existing Equity Interests | | | 0% | | 0% | 23 |
| Total Recoveries | | $ 11,250 | | $ 18,159 | | |

The major assumptions utilized by the Debtors in creating the Liquidation Analysis are detailed below.

**Proceeds from Liquidation of Assets**

1 *Cash and Cash Equivalents*: The amounts shown are the projected cash balances available to the Debtors as of the Conversion Date. The estimated cash balances are based on projected cash flows through to the Conversion Date. The cash balances are (i) prior to any wind-down costs required for the Liquidation, except as noted; (ii) exclude payment of any Professional Fees accrued but unpaid to that date; and (iii) do not include any "restricted cash" or cash in escrow accounts.

2 *Estimated Accrued and Unpaid Sales Tax:* The Debtors estimate that accrued sales tax at the Conversion Date would be approximately $1.8 million to $2.2 million. The Debtors collect sales tax on customer sales and remit the proceeds to the respective taxing jurisdictions approximately one month after collection. These proceeds are in effect "Trust Fund" proceeds and would be remitted to the taxing jurisdictions prior to any other claim, including any Super-Priority claims being paid.

3 *PACA*: Claims under the Perishable Agricultural Commodities Act ("**PACA**") payable at the time of conversion are approximately equivalent to the amount of such claims that existed at the Petition Date, which was approximately $750,000. It is assumed that these claims will be recovered in full based on the protection afforded to vendors under PACA.

4 *Receivables*: Receivables were analyzed by the following major general ledger accounts:

a Credit Card Receivables: Represents receipts for meal purchases collected generally within one or two days from the actual sale. Recovery is assumed at a range of 95% to 98%, after deductions for fees charge-backs and true-ups.

b Rebates: Represents rebates from food producers and food manufacturers. Recovery has been assumed at a range of 25% to 75%, since rebates are dependent on the producers or manufactures being paid by our food distributors. In the event of a Chapter 7 liquidation, distributors may not pay the suppliers for certain of the goods yielding the lower recovery rate on rebates.

c Franchisee Fees: The Debtors support two franchisees that operate approximately 26 restaurants. The Debtors bill the Franchisee's in arrears for marketing costs and other expenses based on a contractual formula. The Debtors anticipate that the franchise relationships will terminate upon a conversion to Chapter 7, and collection of these receivables in a wind-down scenario could be offset by various counter-claims and defenses to payment as a result of that termination.

d Other: Represents other various items ranging from payments in excess of deductibles for insurance claims, employee payroll withholding programs and various vendor claims. Recoveries are projected at 5% to 90% depending on the type of receivable.

5 *Inventory*: Inventory includes two primary categories: Food and related items, liquor, beer and wine in the restaurants (34% of total) and smallwares, which include cooking and serving items such as pots, pans, utensils, flatware, plates, cups, and other small food handling equipment (66% of total).

a Food: Due to its highly perishable nature, relatively small value in each restaurant, and wide geographic dispersion, food products would be sold to liquidators or donated to food banks with recoveries ranging between 1% and 5% of cost.

b Smallwares: In a large-scale liquidation such as this, the value of the smallwares is estimated to range between $400 to $1,200 per restaurant or approximately 1% to 3% of the book value.

6 *Prepaid and Other Current Assets*:

a Prepaid Insurance: Represents premiums for various insurance policies including property, general liability, auto, etc. The prepaid items are assumed to be applied during the wind-down period with a recovery of only 10% to 25%, attributable to policies no longer needed as part of the liquidation or otherwise cancelled.

b Prepaid Advertising: Represents deposits made to advertisers for marketing materials and events that will be halted as part of the liquidation process. Recovery is estimated at between 0% and 10%, so long as such advertising could be stopped prior to their run dates and the prepaid amounts are not otherwise subject to forfeiture.

c Other: Represents various corporate and store level deposits for goods and services paid for in advance. Gross dollar amount prepaid are small with expected recoveries ranging between 10% and 67%.

7 *Property, Plant and Equipment:* Property, Plant and Equipment was analyzed in the following major groups. All recoveries are presented net of transaction specific costs, including commissions:

a Corporate and Store Furniture Fixture and Equipment: Based on consultation with third party restaurant liquidation/disposal companies, the Debtors have estimated that in a wind-down scenario the recovery on restaurant furniture, fixture and equipment would range between $.50 to $1.00 per square foot, before marketing cost ranging from $5,000 to $7,500 per store. Recoveries on Corporate Office furniture, fixture and equipment are estimated to be $250,000 to $500,000. Under these assumptions the net recovery on furniture fixture and equipment would range from $250,000 to $1.1 million, 2% of original cost.

b Leasehold Improvements: Represents leasehold improvements such as buildings, renovations and remodels at leased restaurants that will be closed upon liquidation. The Debtors have assumed that 75% of the proceeds from Store Sales will be apportioned to leasehold improvements (buildings) on ground leases.

8 *Goodwill*: Goodwill with a book value of $93.9 million is assumed to have no value under in a Chapter 7 liquidation.

9 *Tradename*: The tradename had been valued at $27.1 million on a going concern basis. The Debtors have estimated that there will be limited value for the tradename in a wind-down scenario, rather than a going-concern sale. The value has been estimated to range from $0 to $542,000, 2% of book value.

10 *Other Intangibles and Other Assets:* Included in this category are deferred financing and transaction costs, franchise agreements, licenses and permits and CAM deposits. These assets are deemed to have no value in a wind-down scenario given their lack of transferability and expected likelihood of recovery and collection.

11 *Leasehold Interests*: The Company currently leases approximately 213 restaurant properties with rents both above and below prevailing market rates. These leases would be assumed and assigned in the Store Sales. The Debtors have allocated 25% of the expected proceeds from Store Sales to leasehold interests.

12 *Chapter 5 Actions and Other Litigation:*

a Chapter 5 Actions: In a Chapter 7 liquidation, the Trustee would consider pursuing various potential avoidance actions under Chapter 5 of the Bankruptcy Code, including to recover preferential payments from creditors that were made by the Company during the 90 day period prior to the Petition Date. The Debtors recently began the process of reviewing their payment records to determine the amount and number of potential preference action items that could be pursued, but have not yet formed a view of the likely value of these actions. The Liquidation Analysis does not reflect any potential recoveries that might be realized by the Trustee's potential pursuit of any avoidance actions, as the Debtors believe that the amount of potential recoveries on such actions is highly speculative in light of, among other things, the various defenses that would likely be asserted.

b Pending Lawsuits: The Debtors have several pending lawsuits against third parties but given a wind-down. While the Debtors believe that their claims are meritorious in these actions, the Debtors have not included an estimate of recovery given the uncertainties inherent and litigation and the possibility that the Trustee may determine not to further pursue these actions.

**Liquidation Costs and Reserve Claims**

13 *Operational Wind-Down Costs*: Operational wind-down costs are expected to range from approximately $2.2 million to $2.9 million over the course of an eight-week wind-down period. To maximize recoveries on the Debtors' assets, minimize the amount of Claims, and generally ensure an orderly Chapter 7 liquidation, it is assumed that the Trustee will continue to employ a number of the Debtors' employees for a limited amount of time during the Chapter 7 liquidation process. For purposes of this analysis, these individuals have been segregated into company-operated store personnel and corporate personnel.

The company-operated store personnel will primarily be responsible for the sale of inventory, furniture, fixtures, and equipment at the Debtors' restaurants as well as returning the leaseholds back to the landlord or transferring locations to buyers in the Store Sales. The corporate personnel will primarily be responsible for oversight of the store closure process, finalization of employee benefit matters, cash collections, payroll and tax reporting, accounts payable and other books and records, and responding to certain legal matters related to the wind-down.

The estimated time to complete the asset sales at the restaurants is three weeks and sale of the other assets are expected to take three to five weeks. All of these activities are assumed to take place concurrently.

Personnel-requirement assumptions include the following:

a Store-level managers will be needed during the Store Sales process and for turnover of the closed stores.

b Operations management will be required to oversee the store-closure process and sale of equipment and other store-level assets.

c Accounting, human resources and tax personnel will be required to oversee and manage the finalization of employee benefit matters, cash collections, payroll and tax reporting, accounts payable and other reporting and recordkeeping activities.

Other costs include closing down existing office space, or renting smaller space during the wind-down, utilities and other overhead for the corporate personnel during the wind-down process, rent and utilities for the company operated stores during the asset sale process and cure costs related to any assumed leases.

14 *Chapter 7 Trustees Fees*: The Trustee's fees have been estimated to be 3% of moneys disbursed or turned over to parties in interest in accordance with section 326 of the Bankruptcy Code. Costs for the Trustee's professionals are estimated at $500,000 to $750,000.

15 *Professional Fees*: The Debtors estimate that Professional Fees will be consistent with the Budget (as defined in the DIP Loan Documents) and that approximately $1.7 million of Professional Fees provided for under the Carve-Out (as defined in the DIP Loan Documents) will have been incurred but will remain unpaid as of the Conversation Date.

16 *Unencumbered Assets; Payover*: While certain assets were not the subject of the liens granted to holders of Revolving Facility Lender Claims and Notes Claims as of the Petition Date, under the DIP Loan Documents, the Debtors granted (i) liens on substantially all of their assets to the DIP Lenders (referred to as the "DIP Collateral"), and (ii) adequate protection liens in favor of the Revolving Facility Lenders and the Noteholders on the DIP Collateral. Additionally, Paragraph 11 of the Interim DIP Order requires the DIP Lenders, except in certain limited circumstances, to pay over all proceeds of DIP Collateral to the Revolving Facility Lenders until the Revolving Facility Lender Claims are satisfied (or cash collateralized in the case of letters of credit). As a

result, the Liquidation Analysis assumes that the pay-over provisions of the Interim DIP Order are implemented.

**Distribution of Proceeds**

17 *Revolving Facility Lender Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $29.1 million outstanding under the Revolving Facility Loan Documents which includes a $5.1 million letter of credit facility.

18 *DIP Facilities Claims*: The New Money Facility (as defined in the DIP Loan Documents) provides for borrowing up to $25.0 million. The Debtors anticipated that no more than $20.7 million will be outstanding under the New Money Facility as of the Conversion Date. The DIP Loan Documents also provide for the Roll Up Facility, which provides for a "2 for 1" rollup of the Notes based on amounts advanced under the New Money Facility. The amount of the DIP Facilities Claims is inclusive of all obligations under the New Money Facility and Roll Up Facility. There are insufficient proceeds for holders of DIP Facilities Claims to obtain any recovery in a Chapter 7 liquidation after taking into account the pay-over provisions discussed in Note 16.

19 *Notes Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $360.4 million in principal plus accrued interest and paid-in-kind interest outstanding under the Prepetition Second Lien Credit Agreement, which excludes approximately $41.4 million of Notes exchanged under the Roll Up Facility. There are insufficient proceeds for holders of Notes Claims to obtain any recovery in a Chapter 7 liquidation.

20 *Chapter 11 Administrative Expenses*: Chapter 11 Administrative Expenses of $16.7 million represent amounts incurred by the Debtors' in the Chapter 11 Cases through the Conversion Date that will remain unpaid (excluding Professional Fees).

21 *Priority Claims* - Priority Claims are Claims accorded priority in right of payment (under section 507(a) of the Bankruptcy Code) arising from the chapter 7 liquidation or the prior chapter 11 proceedings. For purposes of this analysis, the Debtors have assumed Priority Claims arising from the Debtors' hypothetical chapter 7 cases to be zero, which includes the assumption that any unpaid personal property taxes would be paid from, and are excluded from the amount presented for, the proceeds of the sales of the Debtors' assets.

22 *General Unsecured Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $66.8 million outstanding on account of General Unsecured Claims, excluding an intercompany note payable in the amount of approximately $125.5 million. This amount is comprised of $11.4 million on account of trade claims, $50 million on account of estimated rejection damages claims, and the remaining balance is on account of other miscellaneous claims. The Debtors have not included in this estimate claims arising from the successful prosecution of litigation against the Debtors. Further, the Debtors have not included any deficiency claims held by the Revolving Facility Lenders (who are not being paid in full in either scenario under the Liquidation Analysis) or the Noteholders (who are not receiving any distribution on account of the Notes in either

scenario under the Liquidation Analysis). There are insufficient proceeds for holders of General Unsecured Claims to obtain any recovery in a Chapter 7 liquidation.

23 *Existing Equity Interests:* There are insufficient proceeds for holders of Existing Equity Interests to receive any distribution in a Chapter 7 liquidation.

**EXHIBIT 2**

**Blackline of Proposed Revisions to Disclosure Statement**

**THIS PROPOSED DISCLOSURE STATEMENT IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE DEBTORS' JOINT PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCEPTANCES AND REJECTIONS OF THAT PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.**

**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF DELAWARE**

| | |
|---|---|
| In re: | Chapter 11 |
| ROADHOUSE HOLDING INC., *et al.*,[1] | Case No. 16-11819 (BLS) |
| Debtors. | (Jointly Administered) |

# DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Counsel for the Debtors and Debtors-in-Possession

Dated: ~~August 16,~~September [__], 2016
Wilmington, Delaware

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Roadhouse Holding Inc. (5939); Roadhouse Intermediate Inc. (6159); Roadhouse Midco Inc. (6337); Roadhouse Parent Inc. (5108); LRI Holdings, Inc. (4571); Logan's Roadhouse, Inc. (2074); Logan's Roadhouse of Texas, Inc. (2372); and Logan's Roadhouse of Kansas, Inc. (8716). The location of the Debtors' corporate headquarters is 3011 Armory Drive, Suite 300, Nashville, Tennessee 37204.

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THIS DISCLOSURE STATEMENT (THIS "**DISCLOSURE STATEMENT**") HAS BEEN PREPARED FOR THE PURPOSE OF PROVIDING CERTAIN APPLICABLE INFORMATION TO CREDITORS OF THE DEBTORS WHO, AS DESCRIBED HEREIN, ARE ENTITLED TO VOTE WHETHER TO ACCEPT OR REJECT THE DEBTORS' JOINT PLAN OF REORGANIZATION (THE "**PLAN**"). A COPY OF THE PLAN IS ATTACHED AS **EXHIBIT A** HERETO. THIS DISCLOSURE STATEMENT INCLUDES, AMONG OTHER THINGS, A SUMMARY OF THE PLAN, AS WELL AS SUMMARIES OF CERTAIN OTHER MATERIALS REFERENCED IN THIS DISCLOSURE STATEMENT INCLUDING (AMONG OTHER THINGS) CERTAIN OTHER DOCUMENTS ATTACHED AS EXHIBITS TO THIS DISCLOSURE STATEMENT OR ATTACHED AS EXHIBITS TO THE *PLAN SUPPLEMENT*[2] REFERENCED IN THIS DISCLOSURE STATEMENT. THE SUMMARIES AND OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THOSE OTHER EXHIBITS TO THIS DISCLOSURE STATEMENT, AND THE EXHIBITS TO THE PLAN SUPPLEMENT.

PERSONS ENTITLED TO VOTE WHETHER TO ACCEPT OR REJECT THE PLAN ARE ADVISED AND ENCOURAGED TO READ, IN THEIR ENTIRETY, THIS DISCLOSURE STATEMENT, THE PLAN ATTACHED AS AN EXHIBIT HERETO, AND THE OTHER EXHIBITS HERETO OR THERETO, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ~~THE PLAN SUPPLEMENT WILL NOT BE FILED WITH THE BANKRUPTCY COURT PRIOR TO THE VOTING DEADLINE AND, ACCORDINGLY, THE INFORMATION AND MATERIALS TO BE CONTAINED THEREIN WILL NOT BE AVAILABLE IN CONNECTION WITH THE DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE PLAN.~~

**ALL PERSONS ENTITLED TO VOTE SHOULD READ CAREFULLY THE SECTION OF THIS DISCLOSURE STATEMENT DESCRIBING CERTAIN APPLICABLE RISK FACTORS, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.**

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF (UNLESS OTHERWISE SPECIFIED), AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH APPLICABLE DATE. THE DEBTORS DO NOT WARRANT THAT THE STATEMENTS OR INFORMATION CONTAINED HEREIN ARE WITHOUT ANY INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED

[2] Terms that are defined in the Plan or in the Disclosure Statement (other than defined terms commonly used herein) will appear in italics when presented in all-capitalized typeface herein.

HEREIN. PERSONS TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF THE DETERMINATION BY HOLDERS OF CLAIMS AGAINST THE DEBTORS WHO ARE ENTITLED TO VOTE ON ACCEPTANCE OR REJECTION OF THE PLAN AS TO WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY OTHER PERSON OR FOR ANY OTHER PURPOSE. AS DESCRIBED IN GREATER DETAIL BELOW, NOT ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS ARE ENTITLED TO VOTE ON WHETHER TO ACCEPT OR REJECT THE PLAN. ALSO AS DESCRIBED IN GREATER DETAIL BELOW, HOLDERS OF EQUITY INTERESTS IN THE DEBTORS ARE NOT ENTITLED TO VOTE ON ACCEPTANCE OR REJECTION OF THE PLAN, EXCEPT INSOFAR AS ANY SUCH HOLDER ALSO HOLDS CLAIMS THAT GIVE RISE TO ANY SUCH VOTING RIGHT.

IN THE EVENT OF ANY INCONSISTENCY OR AMBIGUITY BETWEEN THE TERMS OF THE PLAN ITSELF AND THE SUMMARY OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL GOVERN. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PARTY IN INTEREST OR OTHER PERSON. ACCORDINGLY, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING ANY DEBTOR OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTORS OR HOLDERS OF EQUITY INTERESTS IN THE DEBTORS.

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**ARTICLE I.**

**INTRODUCTION**

**A. General Background**

On August 8, 2016, (the "**Petition Date**"), Roadhouse Holding Inc., a Delaware corporation ("**Holding**"),[23] along with seven (7) direct and indirect subsidiary corporations of Holding (collectively, referred to herein and in the Plan as the "**Debtors**"), filed voluntary petitions (the "**Petitions**") for relief under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").[34] Upon the filing of the Petitions, the Debtors' respective reorganization cases under the Bankruptcy Code (the "**Chapter 11 Cases**") commenced. As described in greater detail below, on August 9, 2016, the Bankruptcy Court ordered that the Chapter 11 Cases be consolidated for administrative purposes only. ~~Holding, along with seven (7) subsidiaries, are referred to collectively in this Disclosure Statement as the "**Debtors**".~~

In addition to Holding, the Debtors include the following seven (7) direct and indirect Holding subsidiaries ~~(the "**Subsidiary Debtors**")~~:

-- Roadhouse Intermediate Inc. a Delaware corporation ("**Intermediate**");

-- Roadhouse Midco Inc., a Delaware corporation ("**Midco**");

-- Roadhouse Parent Inc., a Delaware corporation ("**Parent**");

-- LRI Holding, Inc., a Delaware Corporation ("**LRI Holdings**");

-- Logan's Roadhouse, Inc., a Tennessee corporation ("**Logan's Roadhouse**");

-- Logan's Roadhouse of Texas, Inc., a Texas corporation ("**Logan's Texas**");

-- Logan's Roadhouse of Kansas, Inc, a Kansas corporation ("**Logan's Kansas**");

Contemporaneously herewith, the Debtors filed with the Bankruptcy Court their proposed "Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code," dated August 16, 2016 (the "**Plan**"). All capitalized terms used in this Disclosure Statement but not defined herein have

[23] References in this Disclosure Statement to Holding or to any other Debtor include such Person, as in existence prior to the commencement of the Chapter 11 Cases and as a debtor and a debtor-in-possession during the pendency of the Chapter 11 Cases. Where applicable, however, this Disclosure Statement instead makes reference to such entity as a reorganized entity (*e.g.*, "**Reorganized Holding**") when necessary or appropriate to reference such entity as constituted following its emergence from its respective Chapter 11 Case.

[34] References in this Disclosure Statement to the "Docket" are to the Docket maintained in the Chapter 11 Cases. The Docket can be accessed at www.donlinrecano.com/logans, a website maintained by the Debtors' claims and noticing agent. Alternatively, the Docket can be inspected in the office of the Clerk of the Bankruptcy Court (or on ~~a website maintained by the Bankruptcy Court). Alternatively, the Docket can be accessed at www.donlinrecano.com/logans,~~ a website maintained by the ~~Debtors' claims and noticing agent~~ Bankruptcy Court).

the respective meanings ascribed to such terms in the Plan. A complete copy of the Plan is attached as **Exhibit A** to this Disclosure Statement.

This Disclosure Statement is being submitted pursuant to section 1125 of the Bankruptcy Code for use by those entitled to vote on whether to accept or reject the Plan in connection with (a) the solicitation by the Debtors of acceptances of the Plan and (b) the hearing by the Bankruptcy Court to consider confirmation of the Plan (the "**Confirmation Hearing**").

The Plan sets forth the manner in which Claims against the Debtors and Equity Interests in the Debtors are proposed to be treated in connection with the reorganization of the Debtors in connection with the Chapter 11 Cases. This Disclosure Statement describes certain aspects of the Plan, and also provides a general description of the Debtors' business as well as information regarding various other matters relevant to the purpose for which this Disclosure Statement has been prepared. This Disclosure Statement is intended to provide sufficient information to enable those who are entitled to vote on the acceptance or rejection of the Plan, as explained below, to make an informed decision in connection with that vote. Among other things, this Disclosure Statement describes:

- in summary form how the Plan treats holders of Claims against, and Equity Interests in, the Debtors (Article II);
- how Chapter 11 works (Article III);
- the Debtors' business and prepetition capital structure (Article IV);
- the events leading up to the commencement of the Chapter 11 Cases (Article V);
- significant events in the Chapter 11 Cases (Article VI);
- the matters dealt with under the Plan (Article VII);
- certain projections and valuations (Article VIII);
- certain risk factors to be considered before voting on the Plan (Article IX);
- the procedures for confirming the Plan (Article X);
- alternatives to confirmation and consummation of the Plan (Article XI);
- certain securities laws matters regarding the Plan (Article XII); and
- certain U.S. federal income tax consequences of the Plan (Article XIII).

This Disclosure Statement has been carefully prepared in order to, among other things, describe the material aspects of the Plan, but it is not intended to override the Plan or any aspect of it. Accordingly, in the event there are any inconsistencies or ambiguities between the Plan itself and the descriptions of the Plan contained in this Disclosure Statement, the terms of the

Plan will govern. The Plan and this Disclosure Statement, along with the other exhibits attached to this Disclosure Statement, and the exhibits attached to the Plan, are the only materials that those who are entitled to vote on acceptance or rejection of the Plan should use in determining how to vote.

The Plan is the product of extensive negotiations among the Debtors and certain of their major creditor constituencies. As described in more detail in Article V below, effective as of August 8, 2016, the Debtors entered into the Restructuring Support Agreement with the Supporting Parties. Those Supporting Parties are (w) the Debtors' prepetition Revolving Facility Agent, (x) the Debtors' prepetition Revolving Facility Lenders, (y) more than 83.9% of the aggregate outstanding principal amount of Notes, and (z) holders of more than 97% of the outstanding Equity Interests in the Debtors. Pursuant to the Restructuring Support Agreement, the Supporting Parties agreed to support a financial restructuring of the Debtors' outstanding indebtedness, obligations, and capital structure on the terms set forth in the Plan and described in this Disclosure Statement.

As discussed in more detail in Article VII below, the Plan contemplates that the voting on and confirmation of the Plan, as well as Distributions to holders of Claims in the Chapter 11 Cases, would be effected under the Plan as though the Estates of the Debtors were consolidated for such purposes.

After careful consideration of the Debtors' business and assets, and their prospects for reorganization, as well as the alternatives to reorganization, the Debtors have determined that the recoveries to creditors will be maximized by utilizing the treatment established under the Plan. The Debtors further have determined it is not possible to afford any recovery at all to holders of Equity Interests in the Debtors (apart from the pre-existing direct and indirect intercompany ownership interests, which are preserved under the Plan), whether under the reorganization proposed in the Plan or in any liquidation alternative.

The following additional materials are attached as Exhibits to this Disclosure Statement:

1. as "**Exhibit A**," a copy of the Plan, including the exhibits thereto (excluding the Plan Supplement);

2. as "**Exhibit B**," a copy of the Disclosure Statement Order (excluding the exhibits thereto), dated [_____], 2016, that, among other things, approves this Disclosure Statement, establishes procedures for the solicitation and tabulation of votes to accept or reject the Plan, and schedules the hearing on confirmation of the Plan;

3. as "**Exhibit C**," a copy of the Restructuring Support Agreement, including the "**Exit Second Lien Financing Term Sheet**" as Exhibit B thereto, the "**Exit First Lien Financing Term Sheet**," as Exhibit E thereto, and the "**Governance Term Sheet**," as Exhibit F thereto;

4. as "**Exhibit D**," the "**Financial Projections**" prepared by the Debtors' ~~Management~~management for the Reorganized Debtors ~~for the period from the Effective Date~~ through ~~December 31, 2018~~2019;

5. as "**Exhibit E**," the "**Valuation Discussion**" prepared by Jefferies, LLC ("**Jefferies**"); ~~and~~

6. as "**Exhibit F**," the "**Liquidation Analysis**" prepared by the Debtors~~.~~; and

7. as "**Exhibit G**," a copy of the "Confirmation Hearing Notice."

To the extent this Disclosure Statement is being submitted to a holder of a Claim that is entitled to vote to accept or reject the Plan, this Disclosure Statement also is accompanied by a Ballot to be used by such holder in connection with that vote. As further described below, holders of certain categories of Claims against, and Equity Interests in, the Debtors automatically are deemed to have accepted the Plan or to have rejected it, depending on the particular category of Claims or Equity Interests. Holders of Claims and Equity Interests that are deemed to have accepted or rejected the Plan are not entitled to vote to accept or reject the Plan.

In addition to the exhibits attached to this Disclosure Statement and the exhibits attached to the Plan, the Debtors anticipate there will be certain additional materials that are necessary or appropriate to the implementation and/or confirmation of the Plan. Those additional materials are summarized in this Disclosure Statement, to the extent now known or reasonably determinable; and copies of those materials (in final or substantially final form), or summaries thereof, will be contained in the Plan Supplement. The Plan Supplement will be filed by the Debtors with the Clerk of the Bankruptcy Court no later than ten (10) days prior to the Confirmation Hearing, or such later date as may be approved by the Court. Once so filed, the Plan Supplement will be available free of charge on the website for these chapter 11 cases maintained by the Debtor' claims agent (http://www.donlinrecano.com/logans), for inspection at the Office of the Clerk of the Court, 3rd Floor, 824 N. Market Street, Wilmington, Delaware 19801, or on the internet for a fee at the Court's website (http://www.deb.uscourts.gov/) by following directions for accessing the Court's electronic filing system on such website~~, or free of charge on the website for these chapter 11 cases maintained by the Debtor' claims agent (http://www.donlinrecano.com/logans)~~.

This Disclosure Statement also contains information about the Debtors and their business, including certain financial information. Prior to the commencement of the Chapter 11 Cases, LRI Holdings had been filing certain information, including financial information, with the SEC on its Edgar database, at the following address: https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001383875&owner=exclude&count=40. However, LRI Holdings failed to file certain information, including but not limited to its Annual Report on Form 10-K for the transition period ended December 30, 2015 (which was required to contain, among other things, annual audited financial statements for such fiscal year), in the months leading up to the filing of the Petitions. No further filings have been made with the SEC since the commencement of the Chapter 11 Cases. Accordingly, the information contained in the SEC's Edgar database may be useful for historical information but should not be regarded as containing current information (financial or otherwise) about the

Debtors or their business. CAUTION SHOULD BE USED IN RELYING UPON THE INFORMATION, INCLUDING THE FINANCIAL INFORMATION THAT IS AVAILABLE ABOUT THE DEBTORS ON THE SEC'S EDGAR DATABASE.

On [_____], 2016, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order, determining that this Disclosure Statement contains "adequate information" (as that term is defined in section 1125 of the Bankruptcy Code). Section 1125(a)(1) of the Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material U.S. federal income tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information . . . ." 11 U.S.C. §1125(a)(1). NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING OR SUPPLEMENTING THIS DISCLOSURE STATEMENT (INCLUDING THE PLAN AND THE PLAN SUPPLEMENT). ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED AND SHOULD NOT BE RELIED UPON.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S ENDORSEMENT OF THE PLAN. THE BANKRUPTCY COURT MAKES NO DETERMINATION AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. In the event of any discrepancy between the provisions of the Disclosure Statement Order and the summary thereof contained in this Disclosure Statement, the provisions of the Disclosure Statement Order will govern. In addition, detailed voting instructions will accompany each Ballot. Each person entitled to vote on acceptance or rejection of the Plan should read in their entirety this Disclosure Statement (including the exhibits hereto), the Plan (including the exhibits thereto) and Plan Supplement, the Disclosure Statement Order, and the instructions accompanying the Ballot(s) received by such person before voting on whether to accept or reject the Plan. These documents contain, among other things, important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept or reject the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

### B. Holders Entitled to Vote

Not all holders of claims against a debtor and holders of equity interests in that debtor are entitled to vote to accept or reject ~~the~~a proposed reorganization plan. Rather, the Bankruptcy Code limits the right to vote to holders of claims against that debtor, or holders of equity interests in that debtor, that are regarded as being "allowed" (within the meaning of section 502 of the Bankruptcy Code), and only where those allowed claims or equity interests have been classified in classes of claims or equity interests that are regarded as being "impaired" (within the meaning of section 1124 of the Bankruptcy Code) by the treatment proposed under that reorganization plan, with certain exceptions described below. Where an allowed claim or equity interest is classified in a class that is regarded as unimpaired under the proposed reorganization plan, the holder of that claim or equity interest is not entitled to vote to accept or reject the plan and instead automatically is conclusively presumed to have accepted the plan. Correspondingly, where an allowed claim or equity interest is classified in a class that is regarded as impaired under the proposed reorganization plan and the plan provides that the holders of allowed claims or equity interests in that class will not be entitled to receive or retain any property on account of such claims or equity interests (sometimes known as being "wiped out"), the holder of such claim or equity interest is not entitled to vote to accept or reject the plan and instead automatically is deemed to have rejected the plan. In addition, the Bankruptcy Code provides that certain specific categories of allowed claims against a debtor need not be classified for purposes of a plan of reorganization; and, where those categories of unclassified allowed claims are unimpaired under the reorganization plan, the holders of such claims do not actually vote on acceptance or rejection and instead automatically are conclusively presumed to have accepted the plan.

In the Chapter 11 Cases, the Plan establishes four (4) categories of unclassified Claims against the Debtors, eight (8) classes of Claims against the Debtors, and two (2) classes of Equity Interests in the Debtors. Of those 14 categories of Claims and Equity Interests, only holders of Claims in four (4) categories are entitled to vote to accept or reject the Plan. The other eleven (11) categories are conclusively presumed to have accepted the Plan or are deemed to have rejected it. As more fully summarized in Article II below (and described in detail in Article VII below):

- Administrative Claims, Professional Fee Claims, Priority Tax Claims, and DIP Facilities Claims are unclassified and Unimpaired under the Plan. Accordingly, holders of Allowed Claims in those categories are not entitled to vote to accept or reject the Plan and instead are conclusively presumed to have accepted the Plan.

- Class 1 (Other Priority Claims), Class 2 (Other Secured Claims), Class 7 (Intercompany Claims), and Class 10 (Intercompany Interests) are Unimpaired under the Plan. Accordingly, holders of Allowed Claims and Allowed Equity Interests in those Classes are not entitled to vote to accept or reject the Plan and instead are conclusively presumed to have accepted the Plan.

- Class 8 (Subordinated Claims) and Class 9 (Existing Equity Interests) are Impaired under the Plan, and the holders of Claims in Class 8 and Existing Equity Interests in Class 9 will not be entitled to receive or retain any property on account of such Claims and

Equity Interests. Accordingly, holders of Claims in Class 8 and Existing Equity Interests in Class 9 are not entitled to vote to accept or reject the Plan and instead are deemed to have rejected the Plan; and

- Class 3 (Revolving Facility Lender Claims),[~~4~~5] Class 4 (GSO Notes Claims and Kelso Notes Claims), Class 5 (Unexchanged Notes Claims), and Class 6 (General Unsecured Claims) are Impaired under the Plan. Accordingly, to the extent Claims in those Classes are not the subject of an objection or request for estimation which remains pending, holders of Allowed Claims in each of those Classes are entitled to vote to accept or reject the Plan.

A BALLOT TO BE USED IN VOTING TO ACCEPT OR REJECT THE PLAN WILL BE PROVIDED ONLY TO HOLDERS OF CLAIMS IN THE CLASSES THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, AS FOLLOWS:

- Class 3 (Revolving Facility Lender Claims);[~~5~~6]
- Class 4 (GSO Notes Claims and Kelso Notes Claims);
- Class 5 (Unexchanged Notes Claims); and
- Class 6 (General Unsecured Claims).

The Bankruptcy Code defines "acceptance" of a reorganization plan by a class of allowed claims as acceptance by creditors in that class that hold at least two-thirds in aggregate dollar amount of claims in such class and represent more than one-half in number of the allowed claims in such class that cast ballots for acceptance or rejection of that reorganization plan. For a more detailed description of the requirements for confirmation of the Plan, see Article X below.

Two Classes, Class 8 (Subordinated Claims) and Class 9 (Existing Equity Interests), automatically are deemed to have rejected the Plan. Accordingly, the Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the Bankruptcy Court to confirm a plan of reorganization notwithstanding the nonacceptance of that plan by one or more impaired classes of claims or equity interests. Under section 1129(b), a plan may be confirmed as long as such plan does not "discriminate unfairly" and is "fair and equitable" with respect to each ~~nonaccepting~~non-accepting class. The requirements for confirmation of a nonconsensual plan are described more fully in Article X below.

### C. Voting Procedures

On [_____], 2016, the Bankruptcy Court entered the Disclosure Statement Order, among other things, approving this Disclosure Statement, setting voting procedures and

[~~4~~5] Class 3 is only Impaired if the Debtors do not obtain an Alternative Exit Facility.

[~~5~~6] Class 3 is only entitled to vote to accept or reject the Plan to the extent that the Debtors do not obtain an Alternative Exit Facility. If the Debtors do obtain an Alternative Exit Facility, Class 3 will be Unimpaired and will not be entitled to vote to accept or reject the Plan and instead will be conclusively presumed to have accepted the Plan.

scheduling the Confirmation Hearing. A copy of the Disclosure Statement Order~~, including a copy of the Confirmation Hearing Notice,~~ is attached as **Exhibit B** to this Disclosure Statement and a copy of the Confirmation Hearing Notice is attached as **Exhibit G** to this Disclosure Statement. The Confirmation Hearing Notice sets forth in detail, among other things, the voting deadlines and objection deadlines with respect to the Plan. The Confirmation Hearing Notice and the instructions attached to the Ballot should be read in conjunction with this section of the Disclosure Statement.

If you are a holder of an Allowed Claim that is entitled to vote to accept or reject the Plan, a Ballot is enclosed with this Disclosure Statement for the purpose of casting your vote. If you hold an Allowed Claim in more than one Class that is entitled to vote to accept or reject the Plan, you will receive a separate Ballot for each Class in which you hold an Allowed Claim. In order for your Ballot to be counted, you must use the particular Ballot pertaining to the particular Class of Allowed Claims. The Debtors urge you to vote and return your Ballot(s) by no later than ~~4~~5:00 p.m., prevailing Eastern Time, on ____~~,~~October 28, 2016 (the "**Voting Deadline**"), in accordance with the instructions accompanying your Ballot(s) and described in this section.

With the approval of the Bankruptcy Court [Docket Nos. 48, ~~—~~195], the Debtors have retained Donlin, Recano & Company, Inc. ("**DRC**") as their claims, balloting, and noticing agent for purposes of the Chapter 11 Cases. If you received a Ballot(s) from the Debtors (or from DRC on behalf of the Debtors), please vote and return your Ballot(s) directly to DRC at the following addresses: If by regular mail, to Donlin, Recano & Company, Inc., Re: Roadhouse Holding Inc., Attention: Voting Department, P.O. Box 192016, Blythebourne Station, New York, NY 11219; if by hand delivery or overnight mail, to Donlin, Recano & Company, Inc., Re: Roadhouse Holding Inc., Attention: Voting Department, 6201 15th Avenue, Brooklyn, New York 11219.

If you did not receive your Ballot(s) directly from the Debtors (or from DRC on behalf of the Debtors), and instead received such Ballot(s) from a broker, bank, dealer, or other agent or nominee (each, a "**Voting Nominee**"), please do not return those completed original Ballot(s) directly to DRC. Instead, you must return your original Ballot(s) to your Voting Nominee. Your Ballot(s) must be returned promptly, so that your Voting Nominee can forward your Ballot(s) to DRC for receipt by DRC by the Voting Deadline. Notwithstanding the foregoing, if you received a "prevalidated" Ballot from your Voting Nominee, such ballot should be returned directly to DRC if you are instructed by your Voting Nominee to do so.

PLEASE RETURN YOUR *BALLOT*(S) ONLY. DO NOT ALSO RETURN ANY PROMISSORY NOTE OR OTHER INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE RELATING TO YOUR CLAIM.

TO BE COUNTED, YOUR DULY COMPLETED *BALLOT*(S)—INDICATING ACCEPTANCE OR REJECTION OF THE PLAN—MUST BE ACTUALLY RECEIVED BY *DRC* NO LATER THAN THE *VOTING DEADLINE*. *BALLOTS* NOT ACTUALLY RECEIVED BY *DRC* BY THE *VOTING DEADLINE* WILL NOT BE COUNTED, EVEN IN THE CASE OF *BALLOTS* THAT FIRST MUST BE RETURNED TO AN APPLICABLE *VOTING NOMINEE*. IN THE CASE OF *BALLOTS* WHICH FIRST MUST BE RETURNED TO AN APPLICABLE *VOTING NOMINEE*, CARE MUST BE TAKEN TO RETURN ANY SUCH *BALLOT*(S) TO SUCH *VOTING NOMINEE* IN SUFFICIENT TIME SO SUCH

*BALLOT*(S) THEN CAN BE DELIVERED BY SUCH *VOTING NOMINEE* TO *DRC* BY THE *VOTING DEADLINE*. Any Ballot not received by DRC by the Voting Deadline (including, without limitation, where a Voting Nominee timely received a duly completed Ballot from the beneficial owner of the Claim being voted but failed to return it to DRC by the Voting Deadline) shall not be counted unless the Debtors in their discretion (with the consent of the Required Supporting Noteholders and the Supporting Lenders) determine to extend the deadline to submit votes on the Plan, and except insofar as the Bankruptcy Court may order otherwise.

Any Claim in ~~Class 3 (Revolving Facility Lender Claims), Class 4 (GSO Notes Claims and Kelso Notes Claims), Class 5 (Unexchanged Notes Claims), or~~ Class 6 (General Unsecured Claims) to which an objection or request for estimation is ~~pending~~filed on or prior to October 21, 2016 shall not be entitled to vote (unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan). In addition, the Debtors propose that Ballots cast by alleged creditors ~~whose Claims (a) are not listed on the Schedules or (b) are listed on the Schedules as being disputed, contingent and/or unliquidated, but~~ who have timely filed proofs of claim in wholly contingent or unliquidated ~~or unknown~~ amounts (as may be reasonably determined by the Debtors or DRC) that are not the subject of an objection filed by the Debtors, will have their Ballots counted towards satisfying the numerosity requirement, but not also toward satisfying the aggregate claim amount requirement (and shall only have their claim tabulated in the amount of $1.00), of section 1126(c) of the Bankruptcy Code. The numerosity and aggregate claim amount requirements of section 1126(c) are further described in Article X below.

In the Disclosure Statement Order, the Bankruptcy Court set ~~[_____]~~, September 23, 2016, as the record date (the "**Voting Record Date**") for purposes of voting on the Plan. Accordingly, only holders of record, as of the Voting Record Date, of Allowed Claims otherwise entitled to vote to accept or reject the Plan will receive a Ballot and be entitled vote on the Plan. If, as of the Voting Record Date, you were a holder of an Allowed Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the procedures for voting on the Plan, please contact DRC, at (212) 771-1128 from 9:00 a.m. to 5:00 p.m., prevailing Eastern Time, excluding weekends and holidays, sufficiently in advance of the deadline referenced above for receipt back of duly completed Ballots.

### D. Recommendation

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11, AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS RECOMMEND THAT CREDITORS VOTE TO ACCEPT THE PLAN.

## ARTICLE II.

## OVERVIEW OF THE PLAN

The following table briefly summarizes how the Plan classifies and treats Allowed Claims and Equity Interests, and also provides the estimated Distributions to be received by the holders of Allowed Claims and Equity Interests in accordance with the Plan:

| Class | Designation | Impaired | Treatment of Allowed Claims and Interests | Entitled to Vote | Estimated Recovery |
|---|---|---|---|---|---|
| -- | Administrative Claims, including Professional Fee Claims | No | Except to the extent a holder of an Allowed Administrative Claim already has been paid during the Chapter 11 Cases or such holder, together with the Debtors and the Required Supporting Noteholders, agrees to less favorable treatment with respect to such holder's Claim, each holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, its Administrative Claim, Cash equal to the unpaid portion of its Allowed Administrative Claim, to be paid on the latest of: (a) the Effective Date, or as soon as reasonably practicable thereafter, if such Administrative Claim is Allowed as of the Effective Date; (b) the date such Administrative Claim is Allowed, or as soon as reasonably practicable thereafter; (c) the date such Allowed Administrative Claim becomes due and payable, or as soon as reasonably practicable thereafter; and (d) such other date as may be agreed upon between the holder of such Allowed Administrative Claim and the Debtors (with the consent of the Required Supporting Noteholders) or the Reorganized Debtors, as the case may be. | No (conclusively presumed to accept) | 100% |
| -- | Priority Tax Claims | No | Except to the extent a holder of an Allowed Priority Tax Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a different treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each such holder shall be paid, at the option of the Debtors, with the approval of the Required Supporting Noteholders, (i) in the ordinary course of the Debtors' business, consistent with past practice; provided, however, that in the event the balance of any such Claim becomes due during the pendency of the Bankruptcy Cases and remains unpaid as of the Effective Date, the holder of such Claim shall be paid in full in Cash on the Effective Date, or (ii) in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. | No (conclusively presumed to accept) | 100% |
| -- | DIP Facilities Claims | No | Upon the Effective Date, the DIP Facilities Claims shall be deemed to be Allowed Claims and indefeasibly satisfied by an in-kind exchange on a dollar-for-dollar basis for obligations of the Reorganized Debtors under the Exit Second Lien Facility. | No (conclusively presumed to accept) | 100% |
| 1 | Other Priority Claims | No | Except to the extent that a holder of an Allowed Other Priority Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Priority Claim, each such holder shall be paid, to the extent such Claim has not already been paid during the Chapter 11 Cases, in full in Cash in the ordinary course of business by the Debtors or the Reorganized Debtors, as applicable, on or as | No (conclusively presumed to accept) | 100% |

| Class | Designation | Impaired | Treatment of Allowed Claims and Interests | Entitled to Vote | Estimated Recovery |
|---|---|---|---|---|---|
| | | | soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date on which such Other Priority Claim against the Debtor becomes Allowed, or (iii) such other date as may be ordered by the Court. | | |
| 2 | Other Secured Claims | No | Except to the extent that a holder of an Allowed Other Secured Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each such holder shall be Reinstated, or, at the option of the Debtors or the Reorganized Debtors with the consent of the Required Supporting Noteholders, each holder of an Allowed Other Secured Claim shall receive, either (i) Cash in the full amount of such Allowed Other Secured Claim, including any postpetition interest Allowed pursuant to section 506(b) of the Bankruptcy Code, (ii) the net proceeds of the sale or disposition of the collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such collateral, (iii) the collateral securing such Allowed Other Secured Claim, or (iv) such other Distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code on account of such Allowed Other Secured Claim. | No (conclusively presumed to accept) | 100% |
| 3 | Revolving Facility Lender Claims | Yes (Unless the Debtors enter into an Alternative Exit Facility) | On the Effective Date, except to the extent that a holder of a Revolving Facility Lender Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of a Revolving Facility Lender Claim shall receive a Pro Rata share of the Exit Revolving Facility (by having any Revolving Facility Lender Claims for outstanding principal deemed outstanding under the Exit Revolving Facility on a dollar-for-dollar basis and all letters of credit issued under the Credit Agreement deemed outstanding under the Exit Revolving Facility), *provided, however*, that all Revolving Facility Lender Claims for interest and outstanding expenses shall be paid on the Effective Date in Cash to the extent not previously paid pursuant to the Interim DIP Order or Final DIP Order; and *provided further however* that if the Debtors arrange for the Alternative Exit Facility, then each holder of a Revolving Facility Lender Claim shall receive Cash in the amount of its Allowed Claim in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim and any outstanding undrawn letters of credit issued under the Credit Agreement shall be cash collateralized at 105% of the face amount thereof, pursuant to arrangements satisfactory to the issuers thereof. | Yes (unless the Debtors enter into an Alternative Exit Facility) | ~~[___]~~ 100% |
| 4 | GSO Notes Claims and Kelso Notes Claims | Yes | On the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of a GSO Notes Claim or Kelso Notes Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for the secured portion of such Claim, each holder of a GSO Notes Claim and/or a Kelso Notes Claim shall receive a Pro Rata share of the New Stock, subject to dilution for the CRO Fee Equity Award and the Management Incentive Plan (to the extent the board of directors of Reorganized Holding approves awards of New Stock thereunder). | Yes | [___] |

| Class | Designation | Impaired | Treatment of Allowed Claims and Interests | Entitled to Vote | Estimated Recovery |
|---|---|---|---|---|---|
| 5 | Unexchanged Notes Claims | Yes | On the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of an Unexchanged Notes Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for the secured portion of such Claim, each holder of an Unexchanged Note Claim shall receive:<br>a. Subclass 5(a). Each holder of Unexchanged Notes that, in the aggregate, holds equal to or in excess of $50,000 in principal amount of Unexchanged Notes shall receive a Pro Rata share of the New Stock, subject to dilution for the CRO Fee Equity Award and the Management Incentive Plan (to the extent the board of directors of Reorganized Holding approves awards of New Stock thereunder).<br>b. Subclass 5(b). Each holder of Unexchanged Notes that, in the aggregate, holds less than $50,000 in principal amount of Unexchanged Notes shall receive a Cash-Out Payment.<br><br>If Subclass 5(b) votes to accept the Plan, then each holder of Unexchanged Notes in Subclass 5(b) shall receive its Cash-Out Payment in the form of Cash. If Subclass 5(b) votes to reject the Plan, then each holder of Unexchanged Notes in Subclass 5(b) shall receive its Cash-Out Payment in the form of New Secured Notes. | Yes | [____] |
| 6 | General Unsecured Claims | Yes | On the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of an Allowed General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of an Allowed General Unsecured Claim (including each holder of a Notes Deficiency Claim) shall receive:<br>a. If Class 6 votes in favor of the Plan, its Pro Rata share of the General Unsecured Claim Cash Pool; or<br>b. If Class 6 rejects the Plan, no distribution on account of its Allowed General Unsecured Claim. | Yes | [___] |
| 7 | Intercompany Claims | No | Intercompany Claims shall be reinstated, cancelled or compromised as determined by the Debtors with the consent of the Required Supporting Noteholders. | No (conclusively presumed to accept) | 100% |
| 8 | Subordinated Claims | Yes | The holders of Subordinated Claims shall neither receive Distributions nor retain any property under the Plan for or on account of such Subordinated Claims. | No (deemed to reject) | 0% |
| 9 | Existing Equity Interests | Yes | Existing Equity Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date and holders of Existing Equity Interests shall neither receive any Distributions nor retain any property under the Plan for or on account of such Equity Interests. | No (deemed to reject) | 0% |
| 10 | Intercompany Interests | No | Intercompany Interests shall be cancelled or reinstated, as determined by the Debtors with the consent of the Required Supporting Noteholders. | No (conclusively presumed to accept) | 100% |

## ARTICLE III.

## OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, the company or other entity to which the particular bankruptcy case relates, called the "debtor", is authorized to reorganize its business for its own benefit as well as the benefit of its creditors and equity interest holders. In addition to permitting rehabilitation of a debtor, chapter 11 is intended to promote equality of treatment for similarly situated creditors and equity interest holders, including with respect to the distribution of that debtor's assets.

The debtor commences its chapter 11 case by filing a voluntary bankruptcy petition with an appropriate United States Bankruptcy Court. The commencement of that case immediately creates an "estate" that is comprised of all of the legal and equitable interests of the debtor, including interests in its assets, as of the date of filing of its bankruptcy petition. In addition, in the case of bankruptcy petitions filed under chapter 11, the Bankruptcy Code generally provides that the debtor may continue to operate its business and remain in possession of its property as a so-called "debtor in possession", rather than have control of its business and possession of its property instead transferred to an independent bankruptcy trustee.

The principal objective of a chapter 11 reorganization case is to confirm and then consummate a plan of reorganization. A plan of reorganization sets forth the means for satisfying claims against the debtor and equity interests in the debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon the debtor as well as upon various other interested constituencies, including any issuer of securities under the plan, any person acquiring property under the plan, and any holder of claims against, or equity interests in, the debtor. Subject to certain limited exceptions, the bankruptcy court's confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan (including, among other things, debts that arose prior to the filing of the debtor's original bankruptcy petition) and substitutes therefor the obligations specified under the confirmed plan.

Once a plan of reorganization meeting the requirements of the Bankruptcy Code has been filed with the Bankruptcy Court, then, with certain exceptions, the holders of claims against, or equity interests in, the debtor generally are entitled to vote whether to accept or reject that plan. Before the debtor may solicit acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about whether to accept or reject the plan.

In connection with the Chapter 11 Cases, and to satisfy the requirements of section 1125 of the Bankruptcy Code, the Debtors have prepared this Disclosure Statement and are submitting it to holders of Allowed Claims against the Debtors who, under the Plan, are entitled to vote on whether to accept or reject the Plan.

## ARTICLE IV.

## COMPANY BACKGROUND

### A. History of the Debtors

#### 1. Overview

Holding, a Delaware Corporation, owns, directly or indirectly, 100% of each of the other Debtors. The first Logan's Roadhouse restaurant opened in Lexington, Kentucky in 1991. Logan's Roadhouse was incorporated in 1995 in the state of Tennessee and operated as a public company from July 1995 through February 1999, when it was acquired by Cracker Barrel Old Country Store, Inc. ("**Cracker Barrel**"). From February 1999 to December 2006, Logan's Roadhouse was a wholly-owned subsidiary of Cracker Barrel. In December 2006, Logan's Roadhouse was acquired by certain investors through LRI Holdings. On October 4, 2010, LRI Holdings was acquired by certain wholly owned subsidiaries of Holding.

Debtor Logan's Roadhouse operates full-service casual dining steakhouses. The Debtors offer specially-seasoned aged steaks and southern inspired dishes in a roadhouse atmosphere that includes their "bottomless buckets" of roasted in-shell peanuts. All of the Debtors' company-owned and franchised restaurants operate under the name Logan's Roadhouse. In calendar year 2015, the Debtors had net revenues of over $606.4 million and unaudited EBITDA of minus $112 million, which included impairment and closing charges of over $120 million resulting in an adjusted EBITDA of approximately $8 million. For the first half of 2016, the Debtors had net revenues of over $302 million.

#### 2. Employees

As of August 8, 2016, the Debtors employed approximately 18,964 people, mostly at their restaurant locations. Of those restaurant employees, approximately 13,326 were employed on a part-time basis. None of the Debtors employees were represented by a union.

#### 3. Pre-Petition Capital Structure of the Debtors

Holding is the ultimate parent company of each of the other Debtors. Holding's stock is over 97% owned by affiliates of Kelso & Company, L.P.

As of the Petition Date, the Debtors had outstanding debt obligations in the aggregate principal amount of about $416 million, consisting primarily of approximately (a) $23.9 million in secured loans under a first lien senior secured revolving credit facility, (b) $378.0 million in principal amount of second-priority senior secured notes, and (c) $14 million owed to vendors, landlords and other unsecured creditors. There are also approximately $5.1 million in letters of credit issued under the Credit Agreement (as defined herein) that are undrawn and have not been cash-collateralized.

On October 4, 2010, Logan's Roadhouse entered, as the borrower, into that certain $30,000,000 Senior Secured Revolving Credit Facility (as amended from time to time, the

"**Credit Agreement**"), with JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "**Revolving Facility Agent**") and the lenders thereto (the "**Revolving Facility Lenders**"). The obligations under the Credit Agreement are guaranteed by LRI Holdings and the subsidiaries of Logan's Roadhouse and are also secured by substantially all of the assets of Logan's Roadhouse, LRI Holdings, and all of Logan's Roadhouse's subsidiaries (the "**Revolving Facility Collateral**"). As of the Petition Date, approximately $23.9 million in principal amount of loans were outstanding under the Credit Agreement and approximately $5.1 million in unfunded letters of credit had been issued under the Credit Agreement.

Also on October 4, 2010, Logan's Roadhouse issued $355.0 million aggregate principal amount of senior secured notes in a private placement to qualified institutional buyers (the "**2010 Indenture**"). In July 2011, the Debtors completed an exchange offering, which allowed the holders of those notes to exchange them for notes identical in all material respects except they are registered with the SEC and are not subject to transfer restrictions (the "**2010 Notes**"). The 2010 Notes bear interest at a rate of 10.75% per annum, which is payable in cash on April 15 and October 15 each year, and will mature on October 15, 2017. The 2010 Notes are guaranteed by LRI Holdings and the subsidiaries of Logan's Roadhouse and are secured on a second-priority basis by the same collateral that secures the obligations under the Credit Agreement. Following the October 15, 2015 exchanges, which are discussed below, approximately $143.9 million of 2010 Notes remained outstanding (the "**Unexchanged Notes**").

In October 2015, the Debtors completed exchange offers with two substantial holders of 2010 Notes in order to preserve liquidity and reduce the Debtors' cash-pay interest obligations. Specifically, on October 15 and October 22, 2015, the Debtors completed an exchange with affiliates of Kelso & Company, L.P., as holders of approximately $106.8 million in aggregate principal amount of the 2010 Notes (the "**Kelso Noteholders**"), pursuant to which the Kelso Noteholders exchanged their 2010 Notes (and accrued and unpaid interest thereon) for approximately $112.6 million in aggregate issue price of Logan's Roadhouse's Series 2015-1 Senior Secured Zero Coupon Notes due in 2017 (the "**Kelso Notes**"). Also on October 15, 2015, the Debtors completed an exchange with affiliates of GSO Capital Partners, LP, as holders of approximately $104.3 million in aggregate principal amount of 2010 Notes (the "**GSO Noteholders**", and together with the Kelso Noteholders and the holders of the Unexchanged Notes, the "**Noteholders**"), pursuant to which the GSO Noteholders exchanged their 2010 Notes (and accrued and unpaid interest thereon) for approximately $109.7 million in aggregate issue price of Logan's Roadhouse's Series 2015-2 Senior Secured Notes due in 2017 (the "**GSO Notes**," and together with the Kelso Notes, the "**2015 Notes**"). The 2015 Notes are guaranteed by LRI Holdings and the subsidiaries of Logan's Roadhouse and are secured on a second-priority basis by the Revolving Facility Collateral.

The Kelso Notes were issued with original issue discount with an accretion rate of 10.75% per annum, compounded semi-annual, such that the Kelso Notes do not have any cash pay interest obligations and, instead, the accreted value of each Kelso Note increases on each interest payment date. The GSO Notes have a similar accretion feature, except that the accretion rate is 10.5% per annum and the accretion can be paid in cash at Logan's Roadhouse's election. The GSO Noteholders are also entitled to a 4% per annum cash coupon payment.

As of August 8, 2016, the outstanding principal balance of the Unexchanged Notes was $143.9 million, the outstanding principal balance of the Kelso Notes was approximately $118.6 million, and the outstanding principal balance of the GSO Notes was approximately $115.5 million.

### 4. Historical Financial Information

In the past, the Debtors had been filing financial and other information with the SEC on the EDGAR database the SEC maintains. That information is available through the SEC's EDGAR website, which can be accessed at: https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001383875&owner=exclude&count=40.

However, the Debtors failed to file certain information, including but not limited to their Annual Report on Form 10-K for the transition period ended December 30, 2015 (which was required to contain, among other things, annual audited financial statements for such fiscal year), in the months leading up to the filing of the Petitions. The Debtors' filings on the SEC's EDGAR database have not been kept current and should not be regarded as providing current accurate information (financial or otherwise) about the Debtors. Certain limited more recent financial information relating to the Debtors has been filed with the Bankruptcy Court.

## ARTICLE V.

## EVENTS LEADING UP TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

Over the course of the last few years, a series of factors contributed to the Debtors' need to file the Chapter 11 Cases, as described below. Critically, the Debtors' top line sales decreased while their margins also declined as a result of increases in commodities and labor costs. These factors placed significant strain on the Debtors' business and liquidity needs.

Prior to the commencement of the Chapter 11 Cases, the Debtors' operations and financial performance were adversely affected by the overall downturn in the economy, the highly competitive nature of the casual family dining sector, and poor sales results. Despite recent trends of recovery in the overall economy, the Debtors' business continued to underperform as a result of a competitive price environment. The Debtors' customers continue to face pressure on discretionary income, directly correlating to depressed restaurant sales and reduced customer traffic. The casual dining sector as a whole has suffered, with the industry facing traffic declines of approximately 3% over the past year as consumer preferences shift towards cheaper, faster alternatives. In the first half of 2016, the Debtors experienced an 8.77% drop in customer traffic and a 3.95% decrease in restaurant sales.

As a result of these factors, the Debtors' revenues and EBITDA were insufficient to support their debt service, working capital, and capital expenditure needs. In realization of this fact, in October of 2015, the Debtors engaged in an exchange with the GSO Noteholders and Kelso Noteholders in an effort to preserve liquidity, whereby the GSO Noteholders and Kelso Noteholders exchanged 2010 Notes for their respective 2015 Notes, which were issued at a

principal amount equal to the amount of notes and unpaid interest owed for the 2010 Notes being exchanged. The principal distinction between the 2010 Notes and the 2015 Notes was the fact that a substantial portion of the interest accruing on the 2015 Notes was payable in kind and on a non-cash basis (in fact, entirely on a non-cash basis for the Kelso Notes), and this exchange resulted in the elimination of approximately $18.5 million in annual cash-pay interest obligations. Importantly, the 2015 exchange provided the Debtors with an immediate benefit by allowing them to avoid payment of over $9.2 million in cash interest payments that would have been due on October 15, 2015.

However, those efforts were not enough; by April 2016, the Debtors determined that they could not make their cash coupon payments due on the Unexchanged Notes and the GSO Notes. Thereafter, the Debtors began negotiating in earnest with the Revolving Facility Lenders and certain Noteholders regarding forbearance agreements and the terms of a more comprehensive restructuring of the Debtors and their balance sheets. The Debtors entered into forbearance agreements on May 13, 2016, which were subsequently amended to extend the forbearance period through August 15, 2016. Extensive negotiations followed.

In May 2016, the Debtors engaged Mackinac Partners, LLC as their restructuring financial advisor and appointed Keith A. Maib and Nishant Machado as co-Chief Restructuring Officers (each a "**CRO**" and together the "**Co-CROs**"). Additionally, they engaged Young Conaway Stargatt & Taylor, LLP ("**YCST**") as restructuring counsel. Since that time, YCST has worked with the Co-CROs and the Debtors' management to review and analyze the Debtors' financial results, operational data, and contractual and business arrangements and obligations. Mackinac's engagement also included evaluating the Debtors' existing restaurant portfolio and operating performance to identify underperforming restaurants and to determine how such restaurants could improve their individual contributions to EBITDA. As part of this exercise, Mackinac and the Debtors' management evaluated various cost saving opportunities on a store-by-store basis, including occupancy costs, as well as initiatives to improve operating performance and customer engagement, experience and retention.

In connection with these efforts, the Debtors engaged Hilco Real Estate LLC ("**Hilco**") in April 2016 to review their real estate portfolio and advise the Debtors with respect to a strategic plan for restructuring, assigning/selling, or rejecting leases for underperforming locations. The Debtors identified certain stores to close based on unsustainable performance levels.

The Debtors also engaged Jefferies~~, LLC ("**Jefferies**")~~ as their financial advisor to assist the Debtors in connection with their restructuring, including assisting and advising the Debtors in raising additional financing.

The Debtors worked diligently, in consultation with Jefferies, Mackinac, and their counsel, to evaluate options for addressing their financial difficulties and long-term financial outlook. As part of this process, the Debtors engaged in discussions with certain Noteholders and the Revolving Facility Lenders. These discussions resulted in the negotiation of the Restructuring Support Agreement. Pursuant to the Restructuring Support Agreement, the parties thereto agreed to support the restructuring transaction reflected by the Plan, which will materially deleverage the Debtors' balance sheet and provide much needed liquidity to the Debtors' business.

The Debtors believe that a prompt exit from chapter 11 is critical to the Debtors turn-around as it will free them from the liquidity constraints imposed by a prolonged restructuring (and its attendant costs) and will allow the Debtors' management to focus on critical operational initiatives that will stabilize the Debtors' business, position them to offer their customers best in class service and product within the casual dining steakhouse segment, and provide a platform to increase annual revenue and profitability. Importantly, the Supporting Lenders and Supporting Noteholders under the Restructuring Support Agreement have made certain financial commitments to the Debtors (which are subject to the terms of the Restructuring Support Agreement ) that will pave the way to this prompt exit, including the commitment by the Supporting Lenders to backstop the Exit First Lien Facility and the commitment by the Supporting Noteholders to roll-over the loans under the DIP Facilities to loans under the Exit Second Lien Facility.

## ARTICLE VI.

## THE CHAPTER 11 CASES

### A. Significant "First Day" Motions

Upon the commencement of a case under chapter 11 of the Bankruptcy Code, the Bankruptcy Code imposes an automatic stay on creditors and others in dealing with the debtor, and also imposes strict limitations on actions that may be taken by the debtor absent authorization by the bankruptcy court. For that reason, a debtor typically files a number of so-called "first day" motions, either on the actual petition date itself or within the first few business days thereafter, seeking bankruptcy court approval to continue to operate its business and to facilitate its bankruptcy reorganization.

To facilitate a smooth and efficient administration of the Chapter 11 Cases and minimize the impact to daily business operations, the Bankruptcy Court entered certain procedural orders by which it (a) approved the joint administration of the Chapter 11 Cases [Docket No. 47]; (b) authorized the appointment of DRC as claims and noticing agent [Docket No. 48]; and (c) prohibited utilities from altering, refusing or discontinuing service on an interim basis [Docket No. 49].

Recognizing that any interruption to the Debtors' business, even for a brief period of time, would negatively impact their operations, customer relationships, revenue, and profits while seeking to facilitate the stabilization of their business and effectuate a smooth transition into operating as debtors in possession, the Debtors sought and obtained orders authorizing them to:

- Maintain customer programs and honor their prepetition obligations arising under or in relation to those programs [Docket No. 52];

- Pay prepetition wages, salaries and other compensation, reimbursable employee expenses, and employee benefits and other obligations, ~~on an interim basis with respect to severance obligations and workers' compensation programs~~as discussed in more detail below [Docket No. ~~56~~56, 187 ];

- Pay claims under PACA (the Perishable Agricultural Commodities Act) and certain critical vendors [Docket No. 54];

- Pay certain prepetition taxes and fees [Docket No. 53];

- Continue prepetition insurance programs and pay all obligations in respect of those programs~~, on an interim basis~~ [Docket No. ~~51~~51, 183]; and

- Maintain their existing cash management systems [Docket No. 57].

~~The Bankruptcy Court has scheduled a hearing on September 1, 2016 to consider entry of final orders with respect to any of the interim relief described above.~~

**B. Retention of Professionals**

The Debtors also filed several applications seeking orders authorizing the retention of certain professionals needed by the Debtors in connection with the Chapter 11 Cases, including the retention of: (i) YCST, as restructuring counsel [Docket No. 97]; (ii) Mackinac, as restructuring financial advisor and to provide the Co-CROs [Docket No. 88]; (iii) Hilco, as real estate advisor [Docket No. 98]; (iv) Jefferies, as financial advisor [Docket No. 104] and (v) DRC, as administrative advisor [Docket No. 103]. ~~These applications are scheduled to be heard by the Bankruptcy Court at a hearing scheduled for September 1, 2016.~~The Bankruptcy Court entered orders authorizing the Debtors' retention of those firms on August 31, 2016. *See* [Docket Nos. 191, 189, 192, 197 and 195, respectively].

In addition, the Debtors filed a motion with the Bankruptcy Court seeking authority to employ and compensate certain professionals utilized by the Debtors in the ordinary course of their business (nunc pro tunc to the Petition Date) [Docket No. 101]. This motion ~~is also scheduled to be heard on September 1,~~was also approved on August 31, 2016. *See* [Docket No. 194].

**C. Official Committee of Unsecured Creditors**

On ~~[~~August ~~19]~~,19, 2016, the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors in the Chapter 11 Cases (as such committee may be reconstituted from time to time, the "**Creditors' Committee**"). The Creditors' Committee is currently comprised of the following members: ~~[_____].~~ ~~[_____]~~National Retail Properties, Inc.; Cintas Corporation No. 2; The Coca-Cola Company; Performance Food Group, Inc. ("**PFG**"); and W. Cody Bolen as a named Plaintiff on behalf of the collective in the Bradford Action (as defined herein). PFG currently serves as Chair of the Creditors' Committee.

The Creditors' Committee has ~~filed applications with the Bankruptcy Court to retain its own counsel and~~selected Kelley Drye & Warren LLP as its primary counsel, Pachulski Stang Ziehl & Jones LLP as its Delaware counsel, and FTI Consulting, Inc. as its financial advisor~~, which are scheduled for hearing on _____, 2016.~~.

### D. DIP Facilities

As one of their "first day" motions the Debtors filed a motion seeking entry by the Bankruptcy Court of interim (the "**Interim Dip Order**") and final (the "**Final DIP Order**") orders authorizing the Debtors to obtain postpetition financing and grant liens and super-priority administrative expense status to the Debtors' postpetition lenders (the "**DIP Motion**") [Docket No. 12].[~~6~~7]

The DIP Facilities are established pursuant to a certain Debtor-in-Possession Credit Facility, dated as of August 10, 2016 (as in effect from time to time, the "**DIP Credit Agreement**"),[~~7~~8] entered into among Logan's Roadhouse, as borrower, the lenders from time to time party thereto (the "**DIP Lenders**"), and Cortland Capital Market Services LLC as Administrative Agent and Collateral Agent thereunder (the "**DIP Agent**"). Each of the other Debtors, have guaranteed all of Logan's Roadhouse's obligations under the DIP Facilities.

The DIP Facilities consist of senior secured superpriority debtor-in-possession DIP Facilities[~~8~~9] in the aggregate principal amount of up to $75 million (the "**DIP Loans**"), consisting of (i) a $25 million New Money Facility, of which $10 million was committed for borrowing following entry of the Interim DIP Order (the "**Initial Commitment**") and an additional $15 million committed for borrowing upon entry of the Final DIP Order and (ii) a Roll Up Facility pursuant to which each DIP Lender, following entry of (A) the Interim Order, received new loans in exchange for each DIP Lender's claim for notes issued under the Prepetition Indentures on a dollar-for-dollar basis for every dollar of such DIP Lender's Initial Commitment which was actually disbursed under the New Money Facility by such DIP Lender, and (B) the Final Order, will receive additional loans so that the total loans received by each DIP Lender will result in an exchange on a 2:1 basis for every dollar of borrowings actually disbursed under the New Money Facility by each DIP Lender.

On August 9, 2016, the Bankruptcy Court approved the DIP Facilities, on an interim basis, upon the terms and subject to the conditions set forth in the Interim DIP Order [Docket No. 60]. ~~The Bankruptcy Court has scheduled a~~A hearing ~~on September 1, 2016~~ to consider entering the Final DIP Order ~~on~~is scheduled for September ~~1~~23, 2016.

### E. Assumption/Rejection of Leases and Executory Contracts

Under the Bankruptcy Code, the Debtors have 120 days after the Petition Date to assume or reject unexpired leases of nonresidential real property. The Bankruptcy Court may extend such period for 90 days for cause; and may further extend such period only upon prior written consent of the affected lessor. Also under the Bankruptcy Code, the Debtors have until confirmation of the Plan to assume or reject executory contracts. The deadline for assuming or rejecting the Debtors' unexpired leases of nonresidential real property in the Chapter 11 Cases is

[~~6~~7] The DIP Motion also sought adequate protection for the Prepetition Secured Parties, in the form of, among other things, replacement liens and super-priority administrative expense status. That adequate protection was sought because the liens and claims of those secured prepetition creditors were being primed by the DIP Facilities, and for the use by the Debtors of those Prepetition Secured Creditors' cash collateral.

[~~7~~8] A copy of the DIP Credit Agreement is attached as an exhibit to the Interim DIP Order [Docket No. 60].

[~~8~~9] The DIP Facilities are subordinate only to Revolving Facility Liens, Revolving Facility Adequate Protection Liens, the Carve-Out, and Permitted Liens, each as defined in the DIP Motion.

December 6, 2016. The Debtors reserve the right to seek extensions of that current deadline if necessary.

Since the commencement of their Chapter 11 Cases, the Debtors have continued their process, begun in the months preceding the filing of the Petitions, of analyzing their portfolio of leases of nonresidential real property, in order to determine whether it would be in the best interests of the Debtors and their creditors to assume or reject those leases. Among the factors considered in this analysis were: (a) the operating performance (both historical and projected) of the location; (b) competition; (c) rent and other material terms under the applicable lease; (d) remaining term of the applicable lease; and (e) a variety of other considerations (*e.g.*, local market demographics, trade vendor relations, etc.).

Based on the Debtors' analysis, the Debtors filed a motion to reject, *nunc pro tunc* to August 12, 2016, twenty-one (21) leases for restaurant locations [Docket No. 87] (the "**First Lease Rejection Motion**"). The Bankruptcy Court entered an order approving the First Lease Rejection Motion on August 31, 2016. *See* [Docket No. 188]. On September 2, 2016, the Debtors filed a motion to reject, *nunc pro tunc* to September 2, 2016, a prime lease and sub-lease for a non-operated restaurant located in Knoxville, Tennessee (the "**Second Lease Rejection Motion**") [Docket No. 232]. The Second Lease Rejection Motion will be considered by the Bankruptcy Court at the hearing currently scheduled for September ~~1,~~23, 2016.

The Debtors are continuing to review their real estate leases and executory contracts in order to determine if additional leases and contracts should be rejected to best position the Debtors for long-term success and growth. As discussed above, the Debtors have retained Hilco to assist with this process, and Hilco is actively negotiating with the Debtors' landlords regarding favorable amendments to the terms of the Debtors' real property leases. As more fully described in Article VII of this Disclosure Statement, the Plan sets forth a mechanism for dealing with the assumption or rejection by the Debtors of their leases and executory contracts.

### F. Employment-Related Compensation

As one of their "first day" motions filed with the Bankruptcy Court, the Debtors sought authority to pay: certain prepetition employee salary, wages, benefits, bonuses, and other compensation; withholding taxes to federal, state and local authorities related to those payments; certain amounts withheld from some employees for insurance programs, savings plans, child support, and garnishments; outstanding claims for reimbursement of business expenses incurred by employees prepetition; and other employee related obligations (the "**Employee Motion**") [Docket No. 10]. The Employee Motion also sought the right to continue certain employee incentive programs and severance programs, and to pay prepetition amounts with respect to such programs. On August 9, 2016, the Bankruptcy Court entered an order (the "**Employee Order**") [Docket No. 56] granting the Employee Motion. The Employee Order provided, however, that final approval of the relief requested with respect to the Debtors' workers' compensation insurance policies and programs, final authorization with respect to severance payments, and authorization of payment of certain unpaid incentive compensation would not occur until the entry of a supplemental order (the "**Supplemental Employee Order**"). ~~A hearing to consider entering~~The Bankruptcy Court entered the Supplemental Employee Order ~~is scheduled for September 1,~~on August 31, 2016. *See* [Docket No. 187].

In addition, on September 9, 2016, the Debtors filed a motion to approve a Key Employee Incentive and Key Employee Retention Program (the "**KEIP/KERP Motion**") [Docket No. 251]. The KEIP/KERP Motion will be considered by the Bankruptcy Court at the hearing currently scheduled for October 11, 2016.

### G. The Restructuring Support Agreement

Prior to commencing these cases, the Debtors' boards approved entry into the Restructuring Support Agreement. As discussed above, the Restructuring Support Agreement provides a framework for the Debtors' prompt and successful exit from chapter 11, including overwhelming support (by dollar amount) of their secured creditors and commitments with respect to exit financing which will provide the Debtors with the working capital needed to make payments required under the Plan, as well as to continue to fund the Debtors' operational turnaround plan. On August 11, 2016, the Debtors filed a motion to assume the Restructuring Support Agreement [Docket No. 89], and a hearing to consider assumption of the Restructuring Support Agreement is scheduled for September ~~1,~~23, 2016.

### H. Claims Process

On August 12, 2016, the Debtors filed a motion (the "**Bar Date Motion**") [Docket No. 102] requesting that the court establish deadlines for the filing of proofs of claim against the Debtors in the Chapter 11 Cases (the "**Bar Dates**"). The Bankruptcy Court entered an order (the "**Bar Date Order**") [Docket No. 219] approving the Bar Date Motion ~~is scheduled to be heard~~ on September 1, 2016. Any person or entity (with certain exceptions, as further set forth in the Bar Date Motion) that fails to timely file a Proof of Claim by the applicable Bar Date will not be permitted to vote to accept or reject the Plan, or any other plan filed in the Chapter 11 Cases, or to receive any distribution in the Chapter 11 cases on account of such claim. ~~The Debtors have not yet~~

On September 1, 2016, each Debtor filed ~~their~~its Schedules of Assets and Liabilities and ~~Statements of Financial Affairs, but anticipate doing so prior to September 1,~~its Statement of Financial Affairs. As a result of filing the Schedules and Statements, the Debtors were authorized to establish the Bar Dates and, pursuant to the Bar Date Order, the "General Bar Date" has been established as October 7, 2016.

The Plan provides that, with certain exceptions, the Reorganized Debtors have until the later of (i) one hundred and eighty (180) days after the Effective Date, and (ii) such later date as may be fixed by the Court upon a motion by the Reorganized Debtors without notice to any party or a hearing, to file objections to Claims. Under the Plan, no objection is required with respect to a Proof of Claim filed after the applicable Bar Date, and any and all such Claims are deemed disallowed unless otherwise ordered by the Court after notice and a hearing.

## ARTICLE VII.

## SUMMARY OF THE PLAN

### A. Introduction

The Debtors have proposed the Plan, consistent with the requirements described in Subsection B below, and in consultation with the Supporting Parties. The Debtors believe, and at the Confirmation Hearing will demonstrate to the Bankruptcy Court,~~9~~10 that the Debtors' creditors will receive at least as much, and likely more, in value under the Plan than they would receive were there instead to be a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

**THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN ITSELF. CREDITORS ARE URGED TO READ THE PLAN IN ITS ENTIRETY.**

### B. General Rules of Classification

In general, the Bankruptcy Code only permits distributions to be made, under a debtor's chapter 11 reorganization plan, on account of "allowed" expenses relating to the administration of the debtor's bankruptcy estate, as well as "allowed" prepetition claims against the debtor and "allowed" prepetition equity interests in the debtor. "Allowance" simply means that the debtor has agreed (or, in the event of a dispute, that the Bankruptcy Court has determined) the particular administrative expense, claim or equity interest, including the amount thereof, in fact is a valid obligation of (or Equity Interest in) that debtor. Bankruptcy Code section 502(a) provides that a timely filed administrative expense, claim or equity Interest is "allowed" automatically unless the debtor (or another party in interest) objects to its allowance. Bankruptcy Code section 502(b), however, specifies certain types of claims (including, among other things, claims for unmatured interest on unsecured or undersecured obligations, and nonresidential real property lease and employment contract rejection damage claims above specified thresholds) that cannot be "allowed" in the bankruptcy case even where a valid proof of claim has been timely filed in the debtor's bankruptcy case.

The Bankruptcy Code requires that, for purposes of treatment and voting, and subject to certain exceptions, a chapter 11 reorganization plan must divide the different "allowed" claims against, and equity interest in, the debtor into separate "classes" based upon the nature of such claims and equity interests. Generally, claims of a substantially similar legal nature would be classified together. The same is true for equity interests having a substantially similar legal nature. This classification process focuses on the legal nature of the particular claims and equity interests, rather than on the holders of those claims and equity interests, making it common for

~~9~~10 The Plan makes reference to "Court" rather than to the "Bankruptcy Court", in order to address also those instances where there is no reference pursuant to section 157 of title 28 of the United States Code, or where some other court has jurisdiction over the Chapter 11 Cases or any proceedings arising therefrom. For ease of reference, this Disclosure Statement refers simply to the "Bankruptcy Court" (with such reference also to reference ~~that~~the more broadly defined term "Court" as and to the extent applicable under the Plan).

holders of multiple claims and/or equity interests to find themselves as members of multiple classes for purposes of treatment and voting with respect to a debtor's chapter 11 reorganization plan.

The Bankruptcy Code further requires, in this classification process, that classes of claims and equity interests must be designated either as "impaired" (if altered by the reorganization plan in some way) or "unimpaired" (if not). The Bankruptcy Code then provides the holders of impaired claims and impaired equity interests with certain additional rights (such as the right to vote to accept or reject the plan), and the right to receive not less than the value the holder would have received were the debtor instead to liquidate under chapter 7 of the Bankruptcy Code), with certain limited exceptions. The Bankruptcy Code establishes the criteria for determining whether or not a class of claims or equity interests is "impaired" or "unimpaired" for purposes of treatment and voting under the plan.

The classification, treatment, question of impairment, and entitlement to vote of the Allowed Claims against the Debtors and Allowed Equity Interests in the Debtors, were summarized briefly in Article II of this Disclosure Statement, and are described in greater detail below. As provided in the Plan, a Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class for the purpose of receiving Distributions only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date.

### C. Treatment of Certain Unclassified Claims

Under section 1123(a)(1) of the Bankruptcy Code, certain categories of claims that must be addressed in the proposed reorganization plan need not be classified (that is, put into one of the specific classes established in that plan) for purposes of such plan. In connection with the Chapter 11 Cases, the Debtors have identified four (4) applicable categories of unclassified Claims.

#### 1. Unclassified – Administrative Claims

Administrative Claims consist of any Claim for costs and expenses of administration of the Estates pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving and operating the Estates; (b) any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of their businesses after the Petition Date, including for wages, salaries, or commissions for services, and payments for goods and other services and leased premises to the extent such indebtedness or obligations provided a benefit to the Debtors' estates; and (c) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

The Plan provides that, except to the extent a holder of an Allowed Administrative Claim already has been paid during the Chapter 11 Cases or such holder, together with the Debtors and

the Required Supporting Noteholders, agrees to less favorable treatment with respect to such holder's Claim, each holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, its Administrative Claim, Cash equal to the unpaid portion of its Allowed Administrative Claim, to be paid on the latest of: (a) the Effective Date, or as soon as reasonably practicable thereafter, if such Administrative Claim is Allowed as of the Effective Date; (b) the date such Administrative Claim is Allowed, or as soon as reasonably practicable thereafter; (c) the date such Allowed Administrative Claim becomes due and payable, or as soon as reasonably practicable thereafter; and (d) such other date as may be agreed upon between the holder of such Allowed Administrative Claim and the Debtors (with the consent of the Required Supporting Noteholders) or the Reorganized Debtors, as the case may be.

The Plan provides that, unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing notices, requests, Proofs of Claim, applications or motions for allowance of Administrative Claims (other than Professional Fee Claims, DIP Facilities Claims, Claims by any other trade creditor or customer of the Debtors whose Claim is on account of ordinary course of business goods or services provided to the Debtors during the course of these Chapter 11 Cases, and the post-Petition Date fees and expenses of the Supporting Lenders, the Unanimous Supporting Noteholders, the Supporting Interest Holders, the Revolving Facility Agent, the Indenture Trustees and their respective advisors), which date shall be the Administrative Claims Bar Date. Holders of Administrative Claims not paid prior to the Confirmation Date shall file with the Court and serve upon the Debtors or Reorganized Debtors, as applicable, a motion requesting payment of such Administrative Claim on or before the Administrative Claims Bar Date or forever be barred from doing so. The notice of entry of the Confirmation Order to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth the Administrative Claims Bar Date and constitute good and sufficient notice of the Administrative Claims Bar Date.

**(a) Professional Fee Claims**

Professional Fee Claims consist of Administrative Claims Allowed under section 328, 330(a), 331 or 503 of the Bankruptcy Code for reasonable compensation of a Professional or other Person for services rendered or expenses incurred in the Chapter 11 Cases on or prior to the Effective Date (including the reasonable, actual and necessary expenses of the members of the Creditors' Committee incurred as members of the Creditors' Committee in discharge of their duties as such), but specifically excluding the fees and expenses of professionals of (a) the Revolving Facility Agent, (b) the Supporting Lenders, (c) the Unanimous Supporting Lenders, (d) the Indenture Trustees, (e) the Supporting Interest Holders, (f) the DIP Agent, and (g) the DIP Lenders.

The Plan provides that all requests for compensation or reimbursement of Professional Fee Claims pursuant to sections 327, 328, 330, 331, 363, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors, the United States Trustee, counsel to each of the Supporting Parties, counsel to the Creditors' Committee, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later

than thirty (30) days after the Effective Date. Holders of Professional Fee Claims that are required to file and serve applications for final allowance of their Professional Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, the Reorganized Debtors or their respective properties, and such Professional Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Fee Claims must be filed and served no later than fifty (50) days following the Effective Date. Objections must be served on the Reorganized Debtors, counsel for the Reorganized Debtors, counsel to each of the Supporting Parties, counsel to the Creditors' Committee and the holders of Professional Fee Claims requesting payment.

**2. Unclassified – Priority Tax Claims**

Priority Tax Claims include any unsecured Claim that is entitled to a priority in right of payment under section 507(a)(8) of the Bankruptcy Code.

The Plan provides that, except to the extent a holder of an Allowed Priority Tax Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a different treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each such holder shall be paid, at the option of the Debtors, with the approval of the Required Supporting Noteholders, (i) in the ordinary course of the Debtors' business, consistent with past practice; provided, however, that in the event the balance of any such Claim becomes due during the pendency of the Bankruptcy Cases and remains unpaid as of the Effective Date, the holder of such Claim shall be paid in full in Cash on the Effective Date, or (ii) in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code.

**3. Unclassified – DIP Facilities Claims**

DIP Facilities Claims include all Claims arising under or relating to the DIP Facilities, whether pursuant to the DIP Credit Agreement, any other DIP Loan Document, the Interim DIP Order, the Final DIP Order, or otherwise. DIP Facilities Claims would include, among other things, Claims originally arising under the 2010 Indenture or 2015 Indenture that have been rolled up into the DIP Facilities in accordance with the terms of the DIP Facilities and with the approval of the Bankruptcy Court pursuant to the Interim DIP Order and Final DIP Order.

The Plan provides that, upon the Effective Date, the DIP Facilities Claims shall be deemed to be Allowed Claims and indefeasibly satisfied by an in-kind exchange for obligations of the Reorganized Debtors under the Exit Second Lien Facility.

**D. Classification and Treatment of Claims and Equity Interests**

**1. Class 1 – Other Priority Claims**

Other Priority Claims include any Claim against any of the Debtors (other than an Administrative Claim, a Professional Fee Claim, a Priority Tax Claim or a DIP Financing Claim) that is entitled to priority in payment as specified in section 507(a)(3), (4), (5), (6), (7), or (9) of Bankruptcy Code.

The Plan provides that, except to the extent that a holder of an Allowed Other Priority Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Priority Claim, each such holder shall be paid, to the extent such Claim has not already been paid during the Chapter 11 Cases, in full in Cash in the ordinary course of business by the Debtors or the Reorganized Debtors, as applicable, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date on which such Other Priority Claim against the Debtor becomes Allowed, or (iii) such other date as may be ordered by the Court.

Because the Bankruptcy Court entered an order authorizing the Debtors to pay, among other things, unpaid prepetition employee compensation and benefits, the Debtors estimate that the Allowed Claims in Class 1 that are due and payable pursuant to the Plan on or before the Effective Date will be nominal.

Class 1 is Unimpaired under the Plan. Holders of Allowed Other Priority Claims in Class 1 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

**2. Class 2 – Other Secured Claims**

Other Secured Claims include any Claim (other than the DIP Facilities Claims, Revolving Facility Lender Claims, GSO Notes Claims, Kelso Notes Claims, and Unexchanged Notes Claims) to the extent reflected in the Schedules or a Proof of Claim filed as a secured Claim, which is (i) secured by a Lien on Collateral (to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code), or (ii) in the event that such Claim is subject to a right of setoff under section 553 of the Bankruptcy Code, to the extent of such right of setoff.

The Plan provides that, except to the extent that a holder of an Allowed Other Secured Claim, together with the Debtors and the Required Supporting Noteholders, agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each such holder shall be Reinstated, or, at the option of the Debtors or the Reorganized Debtors with the consent of the Required Supporting Noteholders, each holder of an Allowed Other Secured Claim shall receive, either (i) Cash in the full amount of such Allowed Other Secured Claim, including any postpetition interest Allowed pursuant to section 506(b) of the Bankruptcy Code, (ii) the net proceeds of the sale or disposition of the collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such collateral, (iii) the collateral securing such Allowed Other Secured Claim, or (iv) such other Distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code on account of such Allowed Other Secured Claim.

Class 2 is Unimpaired under the Plan. Holders of Other Secured Claims in Class 2 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

### 3. Class 3 – Revolving Facility Lender Claims

Revolving Facility Lender Claims consist of all claims arising under or relating to the Credit Agreement held by the Revolving Facility Lenders.

The Plan Provides that Revolving Facility Lender Claims shall be Allowed in full without set-off, defense, or counterclaim, in the aggregate principal amount of not less than $23,899,525 plus $5,100,475 for unreimbursed obligations on account of issued letters of credit plus all outstanding fees, accrued and unpaid pre- and post-petition interest, expenses and contingent reimbursement obligations, in each case, pursuant to and as provided in the Credit Agreement

The Plan provides that, on the Effective Date, except to the extent that a holder of a Revolving Facility Lender Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of a Revolving Facility Lender Claim shall receive a Pro Rata share of the Exit Revolving Facility (by having any Revolving Facility Lender Claims for outstanding principal deemed outstanding under the Exit Revolving Facility on a dollar-for-dollar basis and all letters of credit issued under the Credit Agreement deemed outstanding under the Exit Revolving Facility), *provided*, *however*, that all Revolving Facility Lender Claims for interest and outstanding fees and expenses shall be paid on the Effective Date in Cash to the extent not previously paid pursuant to the Interim DIP Order or Final DIP Order; and *provided further however,* that if the Debtors arrange for the Alternative Exit Facility, then each holder of a Revolving Facility Lender Claim shall receive Cash in the amount of its Allowed Claim in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim and any outstanding undrawn letters of credit issued under the Credit Agreement shall be cash collateralized at 105% of the face amount thereof, pursuant to arrangements satisfactory to the issuers thereof.

If the Debtors do not arrange for the Alternative Exit Facility, Class 3 will be Impaired and Holders of Revolving Facility Lender Claims in Class 3 will be entitled to vote to accept or reject the Plan. If the Debtors arrange for the Alternative Exit Facility, Class 3 will be Unimpaired. Holders of Revolving Facility Lender Claims in Class 3 will be conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, will not be entitled to vote to accept or reject the Plan.

### 4. Class 4 – GSO Notes Claims and Kelso Notes Claims

GSO Notes Claims and Kelso Notes Claims in Class 4 include all Claims arising under or relating to the GSO Notes and Kelso Notes held by the GSO Noteholders and Kelso Noteholders, other than Notes Deficiency Claims.

The Plan provides that GSO Notes Claims shall be Allowed in full without set-off, defense, or counterclaim in the aggregate principal amount of not less than $119,299,000, plus all outstanding fees, interest, expenses and other amounts due in accordance with the terms of the 2015 Indenture, and less the amount of such Claims that are exchanged for loans under the Roll Up Facility, with the secured portion of such Claims receiving treatment pursuant to Class 4.

The Plan also provides that Kelso Notes Claims shall be Allowed in full without set-off, defense, or counterclaim in the aggregate principal amount of not less than $122,598,000, plus all outstanding fees, interest, expenses and other amounts due in accordance with the terms of the 2015 Indenture, and less the amount of such Claims that are exchanged for loans under the Roll Up Facility, with the secured portion of such Claims receiving treatment pursuant to Class 4.

The Plan provides that, on the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of a GSO Notes Claim or Kelso Notes Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of a GSO Notes Claim and/or a Kelso Notes Claim shall receive a Pro Rata share of the New Stock, subject to dilution for the CRO Fee Equity Award and ~~the~~ Management Incentive Plan (to the extent the board of directors of Reorganized Holding approves awards of New Stock thereunder).

Class 4 is Impaired under the Plan. Holders of Allowed GSO Notes Claims and Allowed Kelso Notes Claims in Class 4 are entitled to vote to accept or reject the Plan.

**5. Class 5 – Unexchanged Notes Claims**

Unexchanged Notes Claims in Class 5 include all Claims arising under or relating to the Unexchanged Notes held by the Unexchanged Noteholders, other than Notes Deficiency Claims.

The Plan provides that the Unexchanged Notes Claims shall be Allowed in full without set-off, defense, or counterclaim in the aggregate principal amount of not less than $143,936,000, plus all outstanding fees, interest, expenses and other amounts due in accordance with the terms of the 2010 Indenture, and less the amount of such Claims that are exchanged for loans under the Roll Up Facility, with the secured portion of such Claims receiving treatment pursuant to Class 5.

The Plan provides that, on the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of an Unexchanged Notes Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of an Unexchanged Note Claim shall receive:

a. Subclass 5(a). Each holder of Unexchanged Notes that, in the aggregate, holds equal to or in excess of $50,000 in principal amount of Unexchanged Notes shall receive a Pro Rata share of the New Stock, subject to dilution for the CRO Fee Equity Award and the Management Incentive Plan (to the extent the board of directors of Reorganized Holding approves awards of New Stock thereunder).

b. Subclass 5(b). Each holder of Unexchanged Notes that, in the aggregate, holds less than $50,000 in principal amount of Unexchanged Notes shall receive its Cash-Out Payment.

If Subclass 5(b) votes to accept the Plan, then each holder of Unexchanged Notes in Subclass 5(b) shall receive its Cash-Out Payment in the form of Cash. If Subclass 5(b) votes to reject the

Plan, then each holder of Unexchanged Notes in Subclass 5(b) shall receive a Cash-Out Payment in the form of New Secured Notes.

Class 5 is Impaired under the Plan. Holders of Allowed Unexchanged Notes Claims in Class 5 are entitled to vote to accept or reject the Plan.

**6. Class 6 – General Unsecured Claims**

A General Unsecured Claim consists of any Claim against any of the Debtors that is not a DIP Facilities Claim, Administrative Claim, Priority Tax Claim, Other Priority Claim, Revolving Facility Lender Claim, GSO Notes Claim, Kelso Notes Claim, Unexchanged Notes Claim, Other Secured Claim, Intercompany Claim, or Subordinated Claim, and shall include, without limitation, any Claims arising from existing or potential litigation against any of the Debtors and any Notes Deficiency Claims.

The Plan provides that, on the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a holder of an Allowed General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, each holder of an Allowed General Unsecured Claim (including each holder of a Notes Deficiency Claim) shall receive:

a. If Class 6 votes in favor of the Plan, its Pro Rata share of the General Unsecured Claim Cash Pool.

b. If Class 6 rejects the Plan, no distribution on account of its Allowed General Unsecured Claim.

Class 6 is Impaired under the Plan. Holders of Allowed General Unsecured Claims in Class 6 are entitled to vote to accept or reject the Plan.

**7. Class 7 – Intercompany Claims**

Intercompany Claims include any Claim held by one of the Debtors against any other Debtor, including (a) any account reflecting intercompany book entries by a Debtor with respect to any other Debtor, (b) any Claim not reflected in book entries that is held by such Debtor against any other Debtor or Debtors, and (c) any derivative Claim asserted or assertable by or on behalf of a Debtor against any other Debtor or Debtors.

The Plan provides that Intercompany Claims shall be reinstated, cancelled or compromised as determined by the Debtors with the consent of the Required Supporting Noteholders.

Class 7 is Unimpaired under the Plan. Holders of Allowed Intercompany Claims in Class 7 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

#### 8. Class 8 – Subordinated Claims

A Subordinated Claim includes any Claim that is subordinated by Final Order of the Court pursuant to section 510(b) or 510(c) of the Bankruptcy Code.

The Plan provides that the holders of Subordinated Claims shall neither receive Distributions nor retain any property under the Plan for or on account of such Subordinated Claims.

Class 8 is Impaired under the Plan. Holders of Subordinated Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

#### 9. Class 9 – Existing Equity Interests

The Plan defines an Equity Interest as meaning all issued and outstanding Equity Interests in Holding, including any vested or unvested and exercised or unexercised options or warrants to acquire such Equity Interests.

The Plan provides that Existing Equity Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date and holders of Existing Equity Interests shall neither receive any Distributions nor retain any property under the Plan for or on account of such Equity Interests.

Class 9 is Impaired under the Plan. Holders of Existing Equity Interests in Class 9 are presumed and deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

#### 10. Class 10 – Intercompany Interests

Class 10 Consists of Intercompany Interests.

The Plan provides that Intercompany Interests shall be cancelled or reinstated, as determined by the Debtors with the consent of the Required Supporting Noteholders.

Class 10 is Unimpaired under the Plan. Holders of Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

### E. Provisions Regarding Corporate Governance of the Reorganized Debtors

#### 1. Cancellation of Existing Equity Interests

On the Effective Date, all Existing Equity Interests shall be cancelled.

### 2. Directors and Officers of the Reorganized Debtors

On the Effective Date, the term of each member of the current boards of directors of the Debtors shall expire, and the board of each of the Reorganized Debtors, as well as the officers of each of the Reorganized Debtors, shall consist of those individuals that will be identified in the Plan Supplement. Following the Effective Date, the appointment and removal of the members of the board of each of the Reorganized Debtors shall be governed by the terms of each Reorganized Debtor's respective corporate governance documents.

### 3. Powers of Officers

The Plan provides that the officers of the Debtors (with the consent of the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders) or the Reorganized Debtors, as applicable, shall have the power to (i) enter into, execute or deliver any documents or agreements that may be necessary and appropriate to implement and effectuate the terms of the Plan, and (ii) take any and all other actions that may be necessary and appropriate to effectuate the terms of the Plan, including the making of appropriate filings, applications or recordings, provided that such documents and agreements are in form and substance acceptable to the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders.

### 4. Management Incentive Plan

The Plan provides that, following the Effective Date, the board of directors of Reorganized Holding may adopt and implement a Management Incentive Plan, which may provide for the issuance of Cash or New Stock. Specific awards shall be as determined by the board of directors of Reorganized Holding (or, if applicable, a compensation committee established by such board) from time to time.

## F. Substantive Consolidation of the Debtors

Early into the Chapter 11 Cases, upon the motion of the Debtors, the Bankruptcy Court ordered that the Chapter 11 Cases be administered on a joint rather than individual basis. Joint administration of the bankruptcy reorganization cases of affiliated debtors commonly occurs, as it greatly simplifies that administration, for the bankruptcy court, the debtors, and the debtors' claimants. Joint administration of the bankruptcy cases of affiliated debtors does not, in and of itself, displace or otherwise impact the substantive rights of any party in interest; nor does it necessarily presage the substantive consolidation of those affiliated debtors for any purpose.

Unlike joint administration, substantive consolidation does affect substantive rights, and is permissible only under certain narrowly prescribed circumstances. "Substantive consolidation, a construct of federal common law, emanates from equity. It 'treats separate legal entities as if they were merged into a single survivor left with all the cumulative assets and liabilities (save for inter-entity liabilities, which are erased). The result is that claims of creditors against separate debtors morph to claims against the consolidated survivor.' Consolidation restructures (and thus revalues) rights of creditors and for certain creditors this may result in significantly less

recovery." *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005), as amended (internal citation omitted).

The United States Supreme Court has not established any set framework, binding nationwide, for determining when substantive consolidation may be appropriate. In the absence of any such nationwide framework, a patchwork of frameworks has developed, largely based on the decisions of those federal circuit courts of appeal that have weighed in on the matter (and decisions of the lower courts in those particular federal circuits in reliance on that appellate guidance), as well as the lower court decisions in the federal circuits lacking definitive direction from their respective court of appeals. Further complicating the legal landscape, it is unclear whether the analysis of certain earlier-decided cases of certain of those federal courts of appeal still would be regarded as good law, were those appellate courts to revisit the question with the benefit of the more-refined analysis gained from certain of the later-decided appellate cases. In the case of the Chapter 11 Cases, the governing analysis is contained in the *Owens Corning* case referenced above. *Owens Corning* was decided by the United States Court of Appeals for the Third Circuit, which circuit includes bankruptcy courts located in the State of Delaware and which decision also constitutes perhaps the most recent full substantive consolidation analysis of any federal circuit court.

In *Owens Corning*, the Third Circuit confirmed that substantive consolidation exists as a remedy available to a bankruptcy court for use in appropriate circumstances over the objections of creditors. *Owens Corning*, at 210. In reversing the district court's consolidation of a parent company and a number of its subsidiary guarantors, the Third Circuit did not endorse any specific set of "factors" a court should consider in ordering substantive consolidation. Instead, the Third Circuit articulated the following five (5) "principles" to guide the court in its analysis: (i) absent compelling circumstances calling equity (and even then only possibly substantive consolidation) into play, courts must respect entity separateness; (ii) substantive consolidation nearly always addresses harms caused by debtors disregarding separateness (with other tools being available to address harms caused by creditors); (iii) mere benefit of administration of the case is "hardly a harm calling substantive consolidation into play"; (iv) substantive consolidation rarely should be used, and only as a last resort after alternative remedies have been considered and rejected; and (v) substantive consolidation may be used defensively, to remedy identified harms caused by entangled affairs, but may not be used as a "sword." *Owens Corning*, at 211.

Applying those five (5) principles, the Third Circuit established two alternate rationales to be used by a bankruptcy court in this jurisdiction in order to order substantive consolidation, absent the consent of the parties. The bankruptcy court must find that "(i) prepetition [the applicable debtors] disregarded separateness so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity, or (ii) postpetition their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." *Id*. (footnotes omitted).

The Plan provides that, solely for purposes of voting on, confirmation of, and Distributions to be made to holders of Allowed Claims under the Plan, the Plan is predicated upon, and it is a condition precedent to confirmation of the Plan, that the Court provide in the

Confirmation Order for the limited consolidation of the Estates of the Debtors into a single Estate for purposes of the Plan, the confirmation thereof and Distributions thereunder.

As provided in the Plan, pursuant to the Confirmation Order: (i) all assets and liabilities of the consolidated Debtors will be deemed to be merged solely for purposes of Distributions to be made thereunder, (ii) the obligations of each Debtor will be deemed to be the obligation of the consolidated Debtors solely for purposes of Distributions thereunder, (iii) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the consolidated Debtors, (iv) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the limited consolidation of the assets and liabilities of the Debtors, (v) all transfers, disbursements and Distributions made by any Debtor thereunder will be deemed to be made by the consolidated Debtors, and (vi) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for Distribution to such Class without regard to which Debtor was originally liable for such Claim. Intercompany Claims shall be treated as provided in Class 7 of the Plan and Intercompany Interests shall be treated as provided in Class 10 of the Plan.

The Plan provides that, notwithstanding the limited consolidation provided for in the Plan and described above, such limited consolidation shall not affect (a) the legal and corporate structure of the Reorganized Debtors, (b) any obligations under any contracts or leases that were entered into during the Chapter 11 Cases or executory contracts or unexpired leases that have been or will be assumed pursuant to the Plan, (c) distributions from any insurance policies or proceeds of such policies, (d) the revesting of assets in the separate Reorganized Debtors pursuant to Article IX.B of the Plan, or (e) guarantees that are required to be maintained post-Effective Date (i) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been, or will thereunder be, assumed, (ii) pursuant to the express terms of the Plan, or (iii) in connection with the Exit Financing Facilities. The limited consolidation proposed in the Plan shall not affect each Debtor's obligation to file the necessary operating reports and pay any required fees pursuant to 28 U.S.C. § 1930(a)(6), which obligations shall continue until a Final Order is entered closing, dismissing or converting each such Debtor's Chapter 11 Case.

Unless the Bankruptcy Court has approved the substantive consolidation of the Estates by a prior order, the Plan shall serve as, and shall be deemed to be, a motion for entry of an order consolidating the Estates in the manner and for the limited purposes set forth in the Plan. If no objection to such consolidation is timely filed and served, then the holders of Claims will be deemed to have consented to such consolidation in the manner and for the limited purposes of the Plan only, and the Bankruptcy Court may approve such consolidation of the Estates in the Confirmation Order. If an objection to the limited consolidation described above is timely filed and served, a hearing with respect to such consolidation and the objections thereto shall be scheduled by the Bankruptcy Court, which hearing may coincide with the Confirmation Hearing. **The Debtors reserve the right to proceed with confirmation of the Plan on a non-substantively consolidated basis.**

The Debtors believe that substantive consolidation, in the manner and for the limited purposes set forth in the Plan, is warranted in the Chapter 11 Cases for several reasons. The Debtors believe that customers and creditors identified the Debtors and dealt with them as one aggregation, by their trade name, rather than on the basis of separate corporate identities, particularly in light of the fact that all company-owned locations operated under the Logan's Roadhouse name. The Debtors also believe that their general unsecured creditors viewed the Debtors as one single entity when extending trade credit and other credit terms, and the Debtors capitalized upon the scale and operations of the entirety of the Debtors' business operations to negotiate such agreements and maximize value. Further, all accounts payable functions were performed from one centralized location (Nashville, Tennessee), by the same administrative staff working on behalf of all Debtors, and all debts were centralized and paid by one Debtor entity.

In addition, each of Holding, Midco, Intermediate, Parent and LRI Holdings are simply holding companies for their subsidiary debtors and have no business activity. The Debtors maintain consolidated financial statements for the activity at LRI Holdings and Logan's Roadhouse and do not keep separate books and records for the other Debtors, given their lack of financial activity. For purposes of the Debtors' negotiation of secured financing, both prepetition and postpetition, the parties to such financing arrangements treated the Debtors' operations as unitary. For example, each of the Debtors is fully obligated, as borrower or guarantor, on the Debtors' post-petition secured financings, and the Credit Agreement, the 2010 Indenture, and 2015 Indenture are secured by substantially all of the assets of LRI Holdings and its subsidiaries. The latter financings collectively constitute the vast majority of the Debtors' prepetition liabilities, and all of them encumber substantially all of the Debtors' collective prepetition assets.

Given the nominal amount of assets held by the Debtors other than Logan's Roadhouse, the small number of creditors of each of the Debtors other than Logan's Roadhouse, the fact that virtually many of the Debtors are obligors under each of the prepetition secured financings and the obligations thereunder represent the vast majority of Claims in the Chapter 11 cases, and the expense of generating separate plans of reorganization for each of the Debtors, the Debtors believe that the overall effect of substantive consolidation will be more beneficial than harmful to creditors and will allow for greater efficiencies and simplification in processing Claims and making distributions to holders of Allowed Claims. Accordingly, the Debtors believe that substantive consolidation of the Debtors' estates, under the terms of the Plan, will not adversely impact the treatment of any of the Debtors' creditors, but rather will reduce administrative expenses by automatically eliminating any duplicative claims asserted against more than one of the Debtors, decreasing the administrative difficulties and costs related to the administration of eight (8) separate Debtor's estates separately, as well as eliminating the need to determine professional fees on a case-by-case basis and streamlining the process of making Distributions.

For the above reasons, the Debtors believe that substantive consolidation is justified in the Chapter 11 Cases. Absent a timely objection to the Debtors' proposed substantive consolidation, substantive consolidation may be ordered by the Bankruptcy Court. If an objection is timely filed and served, a hearing with respect to the substantive consolidation

of the Estates in the manner provided for under the Plan may be requested by the Debtors, at which time the Debtors will seek to establish the requisites for substantive consolidation.

### G. Provisions Regarding Means of Implementation, Voting, Distributions, and Resolution of Disputed Claims

#### 1. General Settlement of Claims

The Plan provides that, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests and controversies resolved pursuant to the Plan. Distributions made under the Plan to holders of Allowed Claims in any Class are intended to be final.

#### 2. Exit Financing

The Exit Financing is to consist of the Exit First Lien Facility (or Alternative Exit Facility) and the Exit Second Lien Facility, each of which the Debtor shall enter into on the Effective Date.

a. Exit First Lien Facility

The Plan provides that, on the Effective Date, the Reorganized Debtors shall enter into either the Exit Revolving Facility (subject to the terms of the Exit Revolving Credit Agreement), or an Alternative Exit Facility; in each case, providing not less than $29 million of availability that shall be used to satisfy the Revolving Facility Lender Claims (including, in the case of the Exit Revolving Facility, by deeming all Revolving Lender Claims for principal as principal outstanding under the Exit Revolving Facility on a dollar-for-dollar basis and deeming all outstanding letters of credit issued under the Credit Agreement as issued under the Exit Revolving Credit Agreement, and, in each case, subject to the terms of the Exit Revolving Facility). The terms and conditions of the Exit First Lien Facility shall be substantially in the form set forth in the Plan Supplement subject to any amendments, modifications or waivers consented to by the Supporting Lenders and the Required Supporting Noteholders.

b. Exit Second Lien Facility

The Plan provides that, on the Effective Date, the Reorganized Debtors shall enter into the Exit Second Lien Facility, which shall be used to satisfy the DIP Facility Claims through a cashless exchange of all obligations outstanding under the DIP Facilities for obligations of the Reorganized Debtors under the Exit Second Lien Facility on a dollar-for-dollar basis. The terms and conditions of the Exit Second Lien Facility shall be substantially in the form set forth in the Plan Supplement, subject to any amendments, modifications or waivers consented to by (x) the Required Supporting Noteholders or the Unanimous Supporting Noteholders as provided for in the Restructuring Support Agreement Term Sheet, and (y) to the extent that the Exit First Lien Facility is the Exit Revolving Facility, the Supporting Lenders. The Exit First Lien Facility, the Exit Second Lien Facility and, if applicable, the New Secured Notes shall be subject to the Exit Financing Intercreditor Agreement.

Confirmation of the Plan shall be deemed to constitute approval of the Exit Financing Facilities, and the Exit Financing Facility Documents, and, subject to the occurrence of the Effective Date, authorization for the Reorganized Debtors to enter into and perform their obligations in connection with the Exit Financing Facilities.

On the Effective Date, the Exit Financing Facility Documents shall constitute legal, valid, binding, and authorized obligations of the Reorganized Debtors, enforceable in accordance with their terms. The financial accommodations to be extended pursuant to the Exit Financing Facility Documents are being extended, and shall be deemed to have been extended, in good faith, for legitimate business purposes, are reasonable, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever, and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law. On the Effective Date, all of the Liens and security interests to be granted in accordance with the Exit Financing Facility Documents (1) shall be legal, binding, and enforceable Liens on, and security interests in, the collateral granted thereunder in accordance with the terms of the Exit Financing Facility Documents, (2) shall be deemed automatically perfected on the Effective Date, subject only to such Liens and security interests as may be permitted under the Exit Financing Facility Documents, (3) shall be subject to the Exit Financing Intercreditor Agreement, and (4) except as expressly permitted in the Exit Financing Facility Documents, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law. The Reorganized Debtors and the entities granted such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary to establish and perfect such Liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

### 3. Issuance of New Stock

The Plan provides that the issuance of New Stock by Reorganized Holding, including pursuant to the CRO Fee Equity Award, is authorized without the need for any further corporate action or without any further action by a holder of Claims or Interests. On the Effective Date (or as soon as reasonably practicable thereafter), the New Stock shall be issued, subject to the provisions of the Plan, to (i) the holders of Allowed GSO Notes Claims who are receiving New Stock pursuant to the Plan, (ii) the holders of Allowed Kelso Notes Claims who are receiving New Stock pursuant to the Plan and (iii) the holders of Allowed Unexchanged Notes Claims who are receiving New Stock pursuant to the Plan. The amount of the New Stock to be issued pursuant to the Plan shall be disclosed in the Plan Supplement.

The Plan provides that all of the New Stock issued pursuant to the Plan shall be duly authorized and validly issued. Each Distribution and issuance referred to in Article VII of the

Plan shall be governed by the terms and conditions set forth therein applicable to such Distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such Distribution or issuance, including the Reorganized Holding Certificate of Incorporation and Reorganized Holding Shareholder Agreement, which terms and conditions shall bind each Person receiving such Distribution or issuance. Upon the Effective Date, the Reorganized Holding Certificate of Incorporation and Reorganized Holding Shareholder Agreement shall be deemed to become valid, binding and enforceable in accordance with its terms, and each holder of New Stock shall be bound thereby, in each case, without need for execution by any party thereto other than Reorganized Holding; *provided* that any party that receives New Stock under the Plan is directed to furnish the Reorganized Debtors with such information and documents as are necessary to evidence their ownership of New Stock and their becoming a party to the Reorganized Holder Shareholder Agreement.

**4. Avoidance Actions**

Pursuant to the Plan, on the Effective Date, the Effective Date, the Reorganized Debtors shall retain the exclusive right to commence, prosecute, or settle all Causes of Action, including Avoidance Actions, as appropriate in accordance with the best interests of the Reorganized Debtors, subject to the releases and exculpations contained in the Plan, the Interim DIP Order, the Final DIP Order, and the DIP Credit Agreement.

**5. Restructuring Transactions**

Pursuant to the Plan, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may modify their corporate structure by eliminating certain entities and may take all actions as may be necessary or appropriate to effect such transactions, including any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms to which the applicable parties may agree; (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion (including related formation) or dissolution pursuant to applicable state law; and (iv) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. The Plan provides that, prior to the Effective Date, the Debtors shall have obtained the consent of the Supporting Lenders and the Required Supporting Noteholders or the Unanimous Supporting Noteholders as provided for in the Restructuring Support Agreement Term Sheet, regarding their intentions with respect to the restructuring transactions.

**6. Corporate Action**

Under the Plan, upon the Effective Date, all corporate actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (i) the transactions

contemplated by Article VII.D thereof, (ii) the adoption and filing of appropriate certificates of incorporation and memoranda and articles of association and amendments thereto, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable law, (iii) the initial selection of managers, directors and officers for the Reorganized Debtors, (iv) the Distributions pursuant to the Plan, (v) the execution and entry into the Exit Financing Facilities, and (vi) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date), in each case unless otherwise provided in the Plan. All matters provided for under the Plan involving the corporate structure of the Debtors and Reorganized Debtors or corporate action to be taken by or required of a Debtor or a Reorganized Debtor will be deemed to occur and be effective as of the Effective Date, if no such other date is specified in such documents, and shall be authorized, approved, adopted and, to the extent taken prior to the Effective Date, ratified and confirmed in all respects and for all purposes without any requirement of further action by holders of Claims or Interests, directors of the Debtors or the Reorganized Debtors, as applicable, or any other Person, except to effect the filing of any new corporate governance documents respecting the Debtors, as necessary.

**7. Effectuating Documents; Further Transactions**

In accordance with the Plan, the Reorganized Debtors and the officers and directors of the board of directors thereof, are authorized to and may issue, execute, deliver, file or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan and applicable non-bankruptcy law.

**8. Reorganized Holding Certificate of Incorporation and By-Laws**

The Plan provides that, on or promptly after the Effective Date, Reorganized Holding will file the Reorganized Holding Certificate of Incorporation with the Secretary of State and/or other applicable authorities in its state of incorporation in accordance with the corporate laws of that state. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the Reorganized Holding Certificate of Incorporation will prohibit the issuance of non-voting equity securities. After the Effective Date, Reorganized Holding may amend and restate the Reorganized Holding Certificate of Incorporation and Reorganized By-Laws as permitted by the laws of its state of incorporation, and the Reorganized Holding Constituent Documents. The Reorganized Holding Constituent Documents shall be substantially in the form set forth in the Plan Supplement

**9. Cancellation of Securities and Agreements**

Pursuant to the Plan, on the Effective Date, except as otherwise specifically provided for in the Plan, including as provided for in Article IX.L of the Plan with respect to certain Indemnification Obligations surviving: (1) the obligations of the Debtors under the Credit Agreement, the 2010 Indenture, and the 2015 Indenture and any other certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the

Debtors giving rise to any Claim or Equity Interest (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the membership interests, certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, certificates, notes, or other instruments evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; provided, however, notwithstanding confirmation of the Plan or the occurrence of the Effective Date, any agreement that governs the rights of the holder of a Claim shall continue in effect solely for purposes of allowing holders to receive Distributions under the Plan as provided therein; provided, further, notwithstanding confirmation of the Plan or the occurrence of the Effective Date, the Credit Agreement, the 2010 Indenture and the 2015 Indenture shall continue in effect solely for the purposes of allowing the Revolving Facility Lender Claims, GSO Notes Claims, Kelso Notes Claims, and Unexchanged Notes Claims under the Plan; provided, further, however, that the preceding proviso shall not affect the discharge of Claims or Equity Interests pursuant to the Bankruptcy Code, the Confirmation Order or the Plan, or result in any expense or liability to the Reorganized Debtors.

**10. Distributions in Respect of Allowed Claims**

Article VII.J. of the Plan sets forth the procedure for making distributions under the Plan, which include provisions for the timing and manner of delivering distributions of claims, the treatment of unclaimed distributions, the treatment of interest on claims, the rights of the Debtors or Reorganized Debtors to effectuate setoffs against distribution and the certain tax and withholding information.

**11. Resolution of Disputed Claims**

c. Objections to Claims. The Plan provides that, from and after the Effective Date, the Reorganized Debtors shall have the right to object to any and all Claims that have not been previously Allowed. Any objections to Claims shall be filed and served on or before the later of (i) one hundred and eighty (180) days after the Effective Date, and (ii) such later date as may be fixed by the Court upon a motion by the Reorganized Debtors without notice to any party or a hearing, which later date may be fixed before or after the date specified in clause (i) above. No objection shall be required with respect to a Proof of Claim filed after the applicable Bar Date, and any and all such Claims shall be deemed disallowed unless otherwise ordered by the Court after notice and a hearing. The Plan also provides procedures regarding the filing and service of objections to Professional Fee Claims.

d. Settlement of Claims. Pursuant to the Plan, and notwithstanding the requirements that may be imposed pursuant to Bankruptcy Rule 9019, from and after the Effective Date, the Reorganized Debtors shall have the authority to settle or compromise any claim or objections or proceedings relating to the allowance of Claims as and to the extent deemed prudent and reasonable without further review or approval of the Court and without the need to file a formal objection. The Plan also provides that nothing in the Plan's provisions dealing with the resolution of Disputed Claim shall be deemed to effect or modify the applicable Bar Dates previously established in the Chapter 11 Cases.

e. No Distributions Pending Allowance. The Plan provides that, notwithstanding any other provision of the Plan, if any portion of a Claim is a Disputed Claim, no payment or Distribution provided thereunder shall be made on account of the disputed portion of such Claim until the disputed portion of such Claim becomes an Allowed Claim.

f. General Unsecured Claim Cash Pool. In accordance with the Plan, on the Effective Date or as soon as practicable thereafter, the Reorganized Debtors shall establish the General Unsecured Claim Cash Pool. Cash held in the General Unsecured Claim Cash Pool shall be held by the Reorganized Debtors in trust for the benefit of holders of Allowed General Unsecured Claims. Cash held in the General Unsecured Claim Cash Pool shall not constitute property of the Reorganized Debtors. Each holder of a Disputed General Unsecured Claim that becomes an Allowed General Unsecured Claim shall have recourse only to the undistributed Cash in the General Unsecured Cash Pool for satisfaction of such Allowed General Unsecured Claim and not to any Reorganized Debtor.

g. Distributions after Allowance. The Plan provides that, in the event that a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall distribute to the holder of such Claim such holder's Pro Rata portion of the property distributable with respect to the Class in which such Claim is classified therein. To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim shall not receive any Distributions on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim shall be reallocated Pro Rata to the holders of Allowed Claims in the same Class. The Plan also provides that nothing set forth therein is intended to, nor shall it, prohibit the Reorganized Debtors, in their sole discretion, from making a Distribution on account of any Claim at any time after such Claim becomes an Allowed Claim. The Plan provides that, notwithstanding anything to the contrary therein, no distributions shall be made from the General Unsecured Claim Cash Pool until all Disputed General Unsecured Claims are resolved and either become Allowed or disallowed by Final Order or estimated by Final Order for purposes of distribution.

h. Interest on Disputed Claims. Unless otherwise specifically provided for in the Plan or as otherwise required by sections 506(b), 511 or 1129(a)(9)(C)-(D) of the Bankruptcy Code, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final Distribution is made when and if such Disputed Claim becomes and Allowed Claim.

i. Estimation of Claims. The Plan provides that the Debtors or the Reorganized Debtors may at any time request that the Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code or other applicable law regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Court has ruled on any such objection. The Court will retain jurisdiction to estimate any Claim at any time during the pendency of litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Court estimates any Disputed Claim, such estimated amount shall constitute either (a) the Allowed amount of such Claim, (b) the amount on which a reserve is to be calculated for purposes of any reserve requirement to the Plan or (c) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Court.

**12. Issuance of New Secured Notes.**

The Plan provides that, subject to the terms thereof, on the Effective Date, to the extent applicable, the Reorganized Debtors shall execute and deliver the New Secured Notes on the terms set forth herein and otherwise in form and substance satisfactory to the Supporting Lenders and the Required Supporting Noteholders. If applicable, confirmation of the Plan shall be deemed to constitute approval of the New Secured Notes, and, subject to the occurrence of the Effective Date, authorization for the Reorganized Debtors to enter into and perform their obligations in connection with the New Secured Notes. All parties receiving the New Secured Notes under the Plan, upon receipt thereof, will be deemed bound to the terms of the New Secured Notes and subject to the terms of the Exit Financing Intercreditor Agreement.

The Plan provides that, on the Effective Date, to the extent that they are executed and delivered by the Reorganized Debtors, the New Secured Notes shall constitute legal, valid, binding, and authorized obligations of the Reorganized Debtors, enforceable in accordance with their terms. Under the Plan, the financial accommodations to be extended pursuant to the New Secured Notes are being extended, and shall be deemed to have been extended, in good faith, for legitimate business purposes, are reasonable, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever, and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law. Under the Plan, on the Effective Date, all of the Liens and security interests to be granted in accordance with the New Secured Notes (1) shall be legal, binding, and enforceable Liens on, and security interests in, the collateral granted thereunder in accordance with the terms of the New Secured Notes, (2) shall be deemed automatically perfected on the Effective Date, subject only to such Liens and security interests as may be permitted under the New Secured Notes, and (3) except as expressly permitted in the New Secured Notes, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law. The Plan provides that the Reorganized Debtors and the entities granted such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and

consents necessary to establish and perfect such Liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

### H. Executory Contracts and Unexpired Leases

#### 1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, the Plan provides that, as of the Effective Date, all executory contracts and unexpired leases governed by section 365 of the Bankruptcy Code to which any of the Debtors are parties are hereby assumed except for any executory contract or unexpired lease that (i) previously has been assumed or rejected by the Debtors in the Chapter 11 Cases, (ii) previously expired or terminated pursuant to its own terms; (iii) is specifically identified on the Schedule of Rejected Contracts and Leases, or (iv) is the subject of a separate motion to assume or reject such executory contract or unexpired lease filed by the Debtors under section 365 of the Bankruptcy Code prior to the Effective Date. Under the Plan, the Debtors reserve the right to amend the Schedule of Rejected Contracts and Leases at any time prior to the Effective Date, subject to the consent of the Required Supporting Noteholders, the Supporting Lenders, and the Supporting Interest Holders.

#### 2. Cure

Under the Plan, except to the extent that different treatment has been agreed to by the non-Debtor party or parties to any executory contract or unexpired lease to be assumed pursuant to the Plan, not less than fifteen (15) Business Days prior to the Confirmation Hearing, the Debtors shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code, and consistent with the requirements of section 365 of the Bankruptcy Code, file and serve a notice with the Court listing the cure amounts of all executory contracts or unexpired leases to be assumed. The parties to such executory contracts or unexpired leases to be assumed by the Debtors shall have ten (10) Business Days from service of such pleading to object to the cure amounts listed by the Debtors. If there are any objections filed with respect thereto, the Court shall conduct a hearing to consider such cure amounts and any objections thereto. The Debtors shall retain their right to reject any of their executory contracts or unexpired leases, including any executory contracts or leases that are subject to a dispute concerning amounts necessary to cure any defaults.

#### 3. Rejection Damage Claims

The Plan provides that any and all Claims for damages arising from the rejection of an executory contract or unexpired lease must be filed with the Court in accordance with the terms of the Final Order authorizing such rejection, but in no event later than thirty (30) days after the

Effective Date to the extent an earlier time has not been established by the Court. Any Claims for damages arising from the rejection of an executory contract or unexpired lease that is not filed within such time period will be forever barred from assertion against the Debtors, their respective Estates and the Reorganized Debtors. Under the Plan, all Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims.

**4. Restrictions on Assignment Void**

The Plan provides that any executory contract or unexpired lease assumed or assumed and assigned shall remain in full force and effect to the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts, or conditions such transfer or assignment, including based on any change of control provision. Under the Plan, any provision that prohibits, restricts, or conditions the assignment or transfer of any such executory contract or unexpired lease, terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal or extension, or modify any term or condition thereof (including on account of any change of control provision) on any such transfer or assignment, constitutes an unenforceable anti-assignment provision and is void and of no force or effect.

The Plan provides that no sections or provisions of any executory contract or unexpired lease that purport to provide for additional payments, penalties, charges, rent acceleration, or other financial accommodations in favor of the non-debtor third party thereto shall have any force and effect with respect to the transactions contemplated under the Plan, and such provisions constitute unenforceable anti-assignment provisions under section 365(f) of the Bankruptcy Code and are otherwise unenforceable under section 365(e) of the Bankruptcy Code.

**5. Benefit Plans**

As of and subject to the Effective Date, the Plan provides that all employment and severance agreements and policies, and all employee compensation and benefit plans, policies, and programs of the Debtors applicable generally to their employees, including agreements and programs subject to section 1114 of the Bankruptcy Code, as in effect on the Effective Date, including all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans, and life, accidental death, and dismemberment insurance plans, and senior executive retirement plans, but expressly excluding any nonqualified deferred compensation plans that are treated as unfunded for tax purposes and Title 1 of ERISA, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under the Plan, and the Debtors' obligations under all such agreements and programs shall survive the Effective Date of the Plan, without prejudice to the Reorganized Debtors' rights under applicable nonbankruptcy law to modify, amend, or terminate the foregoing arrangements in accordance with the terms and provisions thereof, except for (i) such executory contracts or plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate section 1114 of the Bankruptcy Code), and (ii) such executory contracts or plans as have previously been terminated, or rejected,

pursuant to a Final Order, or specifically waived by the beneficiaries of such plans, benefits, contracts, or programs.

#### 6. Workers' Compensation and Insurance Programs

The Plan provides that (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate and (ii) all of the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, and any other policies, programs, and plans regarding or relating to workers' compensation, workers' compensation insurance, and all other forms of insurance are treated as executory contracts under this Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, with a cure amount of zero dollars.

### I. Effect of Confirmation of the Plan

#### 1. Continued Corporate Existence

Pursuant to the Plan, except as otherwise provided therein, including as provided with respect to Reorganized Holding in Article V.B thereof, or as may be provided in the Confirmation Order, each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate corporate entity, or limited liability company, as the case may be, with all the powers thereof, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificates of incorporation and by-laws (or other formation documents) are amended by the Plan and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval..

#### 2. Vesting of Assets

The Plan provides that, except as otherwise set forth therein or any agreement, instrument, or other document incorporated therein, on the Effective Date all property in each Estate, all Causes of Action, and any other property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens granted to secure the Exit Financing Facilities and any Liens applicable to any capitalized leases existing on the Effective Date). On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and conduct its affairs, and may use, acquire, or dispose of its property and assets and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

#### 3. Preservation of Causes of Action

Subject to the releases and exculpations set forth in the Plan, the Interim DIP Order, the Final DIP Order, and the DIP Credit Agreement, in accordance with section 1123(b)(3) of the

Bankruptcy Code, under the Plan, the Debtors and the Reorganized Debtors shall retain all Litigation Rights, and nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Litigation Rights. The Debtors may (but are not required to) enforce all Litigation Rights and all other similar claims arising under applicable state laws, including fraudulent transfer claims, if any, and all other Causes of Action of a trustee and debtor-in-possession under the Bankruptcy Code. Except as otherwise set forth in the Plan, the Reorganized Debtors, as applicable, in their sole and absolute discretion, shall determine whether to bring, settle, release, compromise, or enforce any such Litigation Rights (or decline to do any of the foregoing), and shall not be required to seek further approval of the Court for such action. Except as otherwise set forth in the Plan, the Debtors, the Reorganized Debtors, or any successors thereof may pursue such Litigation Rights in accordance with the best interests of the Reorganized Debtors or any successors holding such rights of action.

**4. Discharge of the Debtors**

The Plan provides that pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in the Plan or in the Confirmation Order, the Distributions and rights that are provided in the Plan shall be in complete satisfaction, discharge and release, effective as of the Effective Date, of any and all Claims and Causes of Action (whether known or unknown) against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtors or any of their assets or properties, regardless of whether any property or assets shall have been distributed or retained pursuant to the Plan on account of such Claims, rights, and Equity Interests, including Claims and Equity Interests that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims relate to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program which occurred prior to the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not (a) a Proof of Claim or Equity Interest based upon such Claim, debt, right, or Equity Interest was filed, is filed, or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim or Equity Interests based upon such Claim, debt, right, or Equity Interest is Allowed under section 502 of the Bankruptcy Code, or (c) the holder of such a Claim, right, or Equity Interest accepted the Plan. As provided in the Plan, the Confirmation Order shall be a judicial determination of the discharge of all Claims against and Equity Interests in the Debtors, subject to the terms thereof and the occurrence of the Effective Date.

**5. Releases by the Debtors of Certain Parties**

**TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, PURSUANT TO SECTION 1123(B)(3) OF THE BANKRUPTCY CODE, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE ACTIONS OF THE**

***RELEASED PARTIES***[10][11] **TO FACILITATE THE REORGANIZATION OF THE DEBTORS AND THE IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED BY THE PLAN, EFFECTIVE AS OF THE *EFFECTIVE DATE*, EACH DEBTOR, IN ITS INDIVIDUAL CAPACITY AND AS A DEBTOR IN POSSESSION FOR ITSELF AND ON BEHALF OF ITS *ESTATE*, AND ANY PERSON CLAIMING THROUGH, ON BEHALF OF, OR FOR THE BENEFIT OF EACH DEBTOR AND ITS *ESTATE* SHALL RELEASE AND DISCHARGE AND BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED AND DISCHARGED ALL *RELEASED PARTIES* FOR AND FROM ANY AND ALL CLAIMS OR *CAUSES OF ACTION* EXISTING AS OF THE *EFFECTIVE DATE* OR THEREAFTER WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, ARISING FROM OR RELATED TO ANY ACTIONS, TRANSACTIONS, EVENTS OR OMISSIONS OCCURRING ON OR BEFORE THE EFFECTIVE DATE RELATING TO THE DEBTORS, THE CHAPTER 11 CASES OR THE OBLIGATIONS UNDER THE *2010 INDENTURE*, THE *2015 INDENTURE*, THE *DIP FACILITIES*, AND THE *CREDIT AGREEMENT*; PROVIDED, HOWEVER, THE FOREGOING RELEASE SHALL NOT APPLY TO THE POST-*EFFECTIVE DATE* OBLIGATIONS ARISING UNDER THE PLAN OR ANY DOCUMENT, INSTRUMENT, OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE *PLAN SUPPLEMENT* AND THE *EXIT FINANCING FACILITIES*) EXECUTED TO IMPLEMENT THE PLAN. THE REORGANIZED DEBTORS SHALL BE BOUND, TO THE SAME EXTENT THAT THE DEBTORS ARE BOUND, BY THE RELEASES AND DISCHARGES SET FORTH ABOVE.**

**6. Releases by Non-Debtors**

**TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE ACTIONS OF THE *RELEASED PARTIES* TO FACILITATE THE REORGANIZATION OF THE DEBTORS AND THE IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED BY THE PLAN, ON THE *EFFECTIVE DATE*, EACH PERSON WHO DIRECTLY OR INDIRECTLY, HAS HELD, HOLDS, OR MAY HOLD ANY CLAIM AGAINST THE DEBTORS OR INTEREST IN THE DEBTORS SHALL RELEASE AND DISCHARGE AND BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED AND DISCHARGED ALL RELEASED PARTIES FOR AND FROM ANY AND ALL *CLAIMS* OR *CAUSES OF ACTION* EXISTING AS OF THE EFFECTIVE DATE R**

[10][11] The "Released Parties" are defined by the Plan to mean " (a) each Debtor, (b) the Supporting Noteholders, (c) the Indenture Trustees, (d) the DIP Lenders, DIP Agent and other lender-parties under the DIP Facilities, (e) the lenders, agents, issuing banks, arrangers and other lender-parties under the Exit Financing Facilities, (f) the Supporting Lenders (as well as any issuing bank) and the Revolving Facility Agent, (g) the Sponsors, and (h) with respect to each of the foregoing entities identified in subsections (a) through (g), such Person's current and former equity holders, including shareholders, partnership interest holders, and limited liability company unit holders, affiliates, partners, subsidiaries, members, officers, directors, managers serving on a board of managers, principals, employees, agents, managed funds, advisors, attorneys, accountants, investment banks, consultants, representatives, and other professionals, together with their respective predecessors, successors, and assigns."

**THEREAFTER WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, ARISING FROM OR RELATED TO ANY ACTIONS, TRANSACTIONS, EVENTS OR OMISSIONS OCCURRING ON OR BEFORE THE EFFECTIVE DATE RELATING TO THE DEBTORS, THE CHAPTER 11 CASES OR THE OBLIGATIONS UNDER THE *2010 INDENTURE*, THE *2015 INDENTURE*, THE *DIP FACILITIES*, AND THE *CREDIT AGREEMENT*; PROVIDED, HOWEVER, THE FOREGOING RELEASE SHALL NOT APPLY TO POST-*EFFECTIVE DATE* OBLIGATIONS ARISING UNDER PLAN OR ANY DOCUMENT, INSTRUMENT, OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE *PLAN SUPPLEMENT* AND THE *EXIT FINANCING FACILITIES*) EXECUTED TO IMPLEMENT THE PLAN.**

**7. Exculpation**

**UNDER THE PLAN, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS, NO *EXCULPATED PARTY*[11][12] SHALL HAVE OR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO, OR ARISING OUT OF THE *CHAPTER 11 CASES*, THE FILING OF THE *CHAPTER 11 CASES*, THE FORMULATION, PREPARATION, NEGOTIATION, DISSEMINATION, FILING, IMPLANTATION, ADMINISTRATION, CONFIRMATION OR CONSUMMATION OF THE PLAN, THE DISCLOSURE STATEMENT, THE EXHIBITS TO THE PLAN AND THE DISCLOSURE STATEMENT, THE *PLAN SUPPLEMENT* DOCUMENTS, ANY EMPLOYEE BENEFIT PLAN, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED, MODIFIED, AMENDED OR ENTERED INTO IN CONNECTION WITH THE PLAN, EXCEPT FOR THEIR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE AS DETERMINED BY A FINAL ORDER AND EXCEPT WITH RESPECT TO OBLIGATIONS ARISING UNDER CONFIDENTIALITY AGREEMENTS, JOINT INTEREST AGREEMENTS, OR PROTECTIVE ORDERS, IF ANY, ENTERED DURING THE CHAPTER 11 CASES; PROVIDED, HOWEVER, THAT EACH *EXCULPATED PARTY* SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES PURSUANT TO, OR IN CONNECTION WITH, THE ABOVE REFERENCED DOCUMENTS, ACTIONS, OR INACTIONS.**

**8. Injunction**

**UNDER THE PLAN, THE SATISFACTION, RELEASE, AND DISCHARGE PURSUANT TO ARTICLE IX OF THE PLAN SHALL ACT AS A PERMANENT INJUNCTION AGAINST ANY ENTITY COMMENCING OR CONTINUING ANY ACTION, EMPLOYMENT OF PROCESS, OR ACT TO COLLECT, OFFSET OR RECOVER ANY CLAIM, INTEREST, OR *CAUSE OF ACTION* SATISFIED, RELEASED, OR DISCHARGED UNDER THE PLAN TO THE FULLEST EXTENT**

[11][12] "Exculpated Party" is defined by the Plan to mean "each of: (a) the Debtors; (b) the Debtors' current and former officers and directors; (c) the Creditors' Committee; (d) each member of the Creditors' Committee in its capacity as such; and (e) the Professionals retained by the Debtors and the Creditors' Committee."

**AUTHORIZED OR PROVIDED BY THE BANKRUPTCY CODE, INCLUDING TO THE EXTENT PROVIDED FOR OR AUTHORIZED BY SECTIONS 524 OR 1141 OF THE BANKRUPTCY CODE**.

**WITHOUT LIMITING THE FOREGOING, FROM AND AFTER THE *EFFECTIVE DATE*, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS AND INTERESTS THAT HAVE BEEN RELEASED OR DISCHARGED PURSUANT TO ARTICLE IX OF THE PLAN, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX OF THE PLAN, SHALL BE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, THE *RELEASED PARTIES* OR THE *EXCULPATED PARTIES*: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY SUCH CLAIMS OR INTERESTS; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (C) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR *ESTATES* OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; AND (D) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED, EXCULPATED, OR SETTLED PURSUANT TO THE PLAN.**

### 9. Term of Bankruptcy Injunction or Stays

Pursuant to the Plan, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

### 10. Setoff

Notwithstanding anything herein, in no event shall any holder of a Claim be entitled to setoff any Claim against any claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, unless such holder preserves its right to setoff by filing a motion for authority to effect such setoff on or before the Confirmation Date (regardless of whether such motion is heard prior to or after the Confirmation Date), and notwithstanding any indication in any proof of claim or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise.

### 11. Preservation of Insurance

Under the Plan, and except as otherwise provided therein, the Debtors' discharge and release from all Claims as provided therein, except as necessary to be consistent with the Plan, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtors or the Reorganized Debtors, including their officers and current and former directors, or any other Person.

### 12. Indemnification Obligations

Under the Plan, the Debtors' obligations to indemnify the Indemnified Parties shall survive and shall continue in full force and effect for the benefit of the Indemnified Parties, notwithstanding confirmation of and effectiveness of the Plan, and such indemnification shall include, but not be limited to, all actions taken in connection with the Restructuring Support Agreement, the Restructuring Support Agreement Term Sheet, the filing of the Chapter 11 Cases, the DIP Facilities, the Interim DIP Order, the Final DIP Order and the DIP Credit Agreement.

## J. Effectiveness of the Plan

### 1. Conditions Precedent to Confirmation

It is a condition to confirmation of the Plan that the following conditions shall have been satisfied or waived in accordance with the Plan: (a) the Confirmation Order, in form and substance reasonably acceptable to the Debtors, the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders shall have been entered and shall be in full force and effect and there shall not be a stay or injunction in effect with respect thereto; and (b) the Plan, the Plan Supplement, and all of the schedules, documents, and exhibits contained therein shall have been filed in form and substance reasonably acceptable to the Debtors the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders.

### 2. Conditions Precedent to the Effective Date

It is a condition to the Effective Date of the Plan that the following provisions, terms and conditions are approved or waived in accordance with the Plan:

a. the Confirmation Order, in form and substance reasonably acceptable to the Debtors the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders shall have been entered by the Court;

b. the Confirmation Order shall have become a Final Order;

c. the Confirmation Order shall have approved the limited substantive consolidation of the Debtors provided under Article VI of the Plan;

d. the Exit First Lien Facility shall be executed, all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof, the closing shall have occurred, and the loans thereunder shall be funded or scheduled for funding upon consummation of the Plan (or, with respect to the Exit Revolving Facility, deemed funded as contemplated by Article IV.B.3 of the Plan);

e. the Exit Second Lien Facility shall be executed, all conditions precedent to the consummation thereof shall been waived or satisfied in accordance with the terms thereof, the closing shall have occurred and the loans thereunder shall be deemed funded as contemplated by Article III.E of the Plan;

f. the Reorganized Debtors shall be private, non-SEC reporting companies on the Effective Date;

g. the Debtors shall have paid all fees and reasonable and documented out-of-pocket expenses payable to the Unanimous Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the Revolving Facility Agent, the DIP Agent, and the Indenture Trustees, including all reasonable and documented out-of-pocket fees and expenses of counsel and other professionals of the Unanimous Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the Revolving Facility Agent, the DIP Agent, and the Indenture Trustees;

h. all authorizations, consents and regulatory approvals required (if any) for the Plan's effectiveness shall have been obtained; and

i. the formation and governance documents for each of the Reorganized Debtors shall be consistent with the Plan and reasonably acceptable to the Required Supporting Parties.

### 3. Waiver of Conditions

The Plan provides that the conditions to confirmation of the Plan, and to the Effective Date, set forth in Article X.A and X.B thereof may be waived by the Debtors (with the consent of the Required Supporting Parties, the DIP Agent, and the Required Lenders) without notice, leave or order of the Court or any formal action other than proceeding to confirm or consummate the Plan.

Any order of the Court approving this Disclosure Statement (and any procedures therein for the solicitation of votes to accept or reject the Plan) should provide that, upon termination of the Restructuring Support Agreement (except any termination pursuant to Section 9(a) of the Restructuring Support Agreement), any Ballot submitted by a Supporting Party shall be

immediately revoked and deemed *void ab initio*, and unless such Supporting Party provides notice otherwise, shall be deemed a vote to reject the Plan.

**4. Notice of Confirmation and Effective Date**

Pursuant to the Plan, on or before five (5) Business Days after the occurrence of the Effective Date, the Reorganized Debtors shall mail or cause to be mailed to all holders of Claims and Equity Interests a notice that informs such holders of (i) the entry of the Confirmation Order, (ii) the occurrence of the Effective Date, (iii) the occurrence of the Administrative Claims Bar Date and deadline for submission of Professional Fee Claims, and (iv) such other matters as the Debtors deem appropriate.

**5. Effect of Failure of Conditions**

In the event that the Effective Date does not occur, the Plan provides that: (a) the Confirmation Order shall be vacated; (b) no Distributions under the Plan shall be made; (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall (i) constitute or be deemed a waiver or release of any Claims against or any Equity Interests in the Debtors or any other Person, (ii) prejudice in any manner any right, remedy or claim of the Debtors or any Person in any further proceedings involving the Debtors or otherwise, or (iii) be deemed an admission against interest by the Debtors or any other Person.

**6. Vacatur of Confirmation Order**

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan provides it shall be null and void in all respects, and nothing contained in the Plan shall (a) constitute a waiver or release of any Claims against or Equity Interests in the Debtors, (b) prejudice in any manner the rights of the holder of any Claim against, or Equity Interest in, the Debtors, (c) prejudice in any manner any right, remedy or claim of the Debtors, or (d) be deemed an admission against interest by the Debtors.

**7. Revocation, Withdrawal, Modification or Non-Consummation**

The Debtors reserve the right to revoke, withdraw, amend or modify the Plan at any time prior to the Confirmation Date (in each case subject to the consent of the Required Supporting Parties, except as otherwise provided in Article XII.C of the Plan). If the Debtors revoke or withdraw the Plan, the Confirmation Order is not entered, or the Effective Date does not occur, then, under the Plan, (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting the amount of any Claim or Class of Claims), assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (iii) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (a) constitute or be deemed a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Person, (b) prejudice in any manner any right,

remedy or claim of the Debtors or any other Person in any further proceeding involving the Debtors or otherwise, or (c) constitute an admission against interest by the Debtors or any other Person.

**K. Retention of Jurisdiction**

Pursuant to the Plan, the Bankruptcy Court shall have exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, section 105(a) and section 1142 of the Bankruptcy Code and for, among other things, the following purposes:

1. ~~7.~~ to hear and determine motions for the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of Claims resulting therefrom;

2. ~~8.~~ to determine any other applications, adversary proceedings, and contested matters pending on the Effective Date;

3. ~~9.~~ to ensure that Distributions to holders of Allowed Claims are accomplished as provided by the Plan;

4. ~~10.~~ to resolve disputes as to the ownership of any Claim or Equity Interest;

5. ~~11.~~ to hear and determine timely objections to Claims;

6. ~~12.~~ to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

7. ~~13.~~ to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

8. ~~14.~~ to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including the Confirmation Order;

9. ~~15.~~ to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 328, 330, 331, 363 and 503(b) of the Bankruptcy Code;

10. ~~16.~~ to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan;

11. ~~17.~~ to hear and determine any issue for which the Plan requires a Final Order of the Court;

12. ~~18.~~ to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

13. ~~19.~~ to hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for the Supporting Lenders, the Unanimous Supporting Noteholders, the Supporting Interest Holders, the Revolving Facility Agent, the DIP Agent, and the Indenture Trustees for services rendered and expenses incurred during the period commencing on the Petition Date through and including the Effective Date;

14. ~~20.~~ to hear and determine any Causes of Action preserved under the Plan under Bankruptcy Code sections 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3);

15. ~~21.~~ to hear and determine any matter regarding the existence, nature and scope of the Debtors' discharge;

16. ~~22.~~ to hear and determine any matter regarding the existence, nature, and scope of the releases and exculpation provided in Article IX of the Plan; and

17. ~~23.~~ to enter a final decree closing the Chapter 11 Cases.

Under the Plan, notwithstanding anything to the contrary in Article XI therein, the Exit Revolving Facility, the Exit Revolving Credit Agreement and the Exit Second Lien Facility (and all related loan documents) shall be governed by the jurisdictional provisions therein and the Court shall not retain jurisdiction for matters under those agreements.

The Plan provides that, if the Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, then Article XI of the Plan shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

### L. Miscellaneous Provisions

#### 1. Payment of Fees and Expenses of Lenders, Unanimous Supporting Noteholders, Supporting Interest Holders, Revolving Facility Agent, and Indenture Trustees

Under the Plan, the Debtors or the Reorganized Debtors shall promptly pay in Cash in full (following receipt of an appropriate invoice in reasonable detail) all reasonable and documented fees and expenses incurred by the Supporting Lenders, the Unanimous Supporting Noteholders, the Supporting Interest Holders, the Revolving Facility Agent, the DIP Agent, and the Indenture Trustees and their advisors in connection with the restructuring described in the Plan that have not previously been paid. All amounts distributed and paid to the foregoing parties pursuant to the Plan shall not be subject to setoff, recoupment, reduction or allocation of any kind and shall not require the filing or approval of any fee application; *provided* that such amounts shall be subject to the fee review provisions in Paragraph 10(c) of the Interim DIP Order prior to payment.

### 2. Modification of the Plan

Under the Plan, subject to the limitations contained therein: (1) the Debtors (with the consent of the Required Supporting Parties, the DIP Agent, and the Required Lenders) reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend, modify, revoke or withdraw the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors (with the consent of the Required Supporting Parties, the DIP Agent, and the Required Lenders) or the Reorganized Debtors, as the case may be, may, upon order of the Court, amend or modify the Plan, in accordance with Section 1127(b) of the Bankruptcy Code.

The Plan provides that entry of a Confirmation Order shall result in all modifications or amendments to the Plan occurring after the solicitation thereof being approved pursuant to section 1127(a) of the Bankruptcy Code.

The Plan provides that, notwithstanding anything to the contrary therein, the Debtors may revoke or withdraw the Plan upon the occurrence of an unwaived "Termination Event" under (and as defined in) the Restructuring Support Agreement (other than a Termination Event caused by a breach by the Debtors); provided, however, that the Debtors reserve the right to fully or conditionally waive, on a prospective or retroactive basis, the effects of this paragraph in respect of any such Termination Event, with any such waiver effective only if in writing and signed by the Debtors.

### 3. Dissolution of Creditors' Committee

Under the Plan, the Creditors' Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code. On the Effective Date, the Creditors' Committee shall be dissolved and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Chapter 11 Cases or the Plan and its implementation, and the retention or employment of the Creditors' Committee's attorneys, financial advisors, and other agents shall terminate as of the Effective Date.

### 4. Votes Solicited in Good Faith

The Plan stipulates that the Debtors have, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Plan also provides that the Debtors (and each of their respective affiliates, agents, directors, managers, officers, members, employees, advisors, and attorneys) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of the securities offered and sold under the Plan and, therefore, are not, and on account of such offer and issuance will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer or issuance of the securities offered and distributed under the Plan.

**5. Obligations Incurred After the Effective Date**

Under the Plan (and except as otherwise specifically provided for in the Plan), from and after the Effective Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Court, pay in Cash all obligations, including the reasonable legal, professional, or other fees and expenses related to the implementation of the Plan, incurred by the Reorganized Debtors. The Plan provides that, upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation of services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order or approval of the Court.

**6. Request for Expedited Determination of Taxes**

The Reorganized Debtors shall have the right, under the Plan, to request an expedited determination under section 505(b) of the Bankruptcy Code with respect to tax returns (other than U.S. federal tax returns) filed by any of them, or to be filed by any of them, for any and all taxable periods ending after the Petition Date through the Effective Date.

**7. Determination of Tax Filings and Taxes**

The Plan provides that: (a) for all taxable periods ending on or prior to, or including, the Effective Date, the Reorganized Debtors shall prepare and file (or cause to be prepared and filed) on behalf of the Debtors, all combined, consolidated or unitary tax returns, reports, certificates, forms or similar statements or documents for any group of entities that include the Debtors (collectively, "Group Tax Returns") required to be filed or that the Reorganized Debtors otherwise deem appropriate, including the filing of amended Group Tax Returns or requests for refunds; and (b) the Reorganized Debtors shall be entitled to the entire amount of any refunds and credits (including interest thereon) with respect to or otherwise relating to any taxes of the Debtors, including for any taxable period ending on or prior to, or including, the Effective Date.

**8. Governing Law**

The Plan provides that, unless a rule of law or procedure is supplied by Federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of the State of Delaware shall govern the construction and implementation of the Plan, any agreements, documents, and instruments executed in connection with the Plan (except as otherwise set forth in those agreements or instruments, in which case the governing law of such agreements shall control). Corporate governance matters shall be governed by the laws of the state of incorporation or formation of the applicable Debtor.

**9. Filing or Execution of Additional Documents**

On or before the Effective Date, the Debtors (with the consent of the Required Supporting Noteholders, the Supporting Lenders, the Supporting Interest Holders, the DIP Agent, and the Required Lenders) or the Reorganized Debtors, shall file with the Bankruptcy Court or execute,

as appropriate, such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

**10. Exemption From Transfer Taxes**

As provided in the Plan, and pursuant to section 1146(c) of the Bankruptcy Code, a) the issuance, transfer or exchange under the Plan of the New Stock, (b) the making or assignment of any lease or sublease, or (c) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan shall not be subject to any stamp, real estate transfer, mortgage, recording sales or use or other similar tax.

**11. Exemption for Issuance of New Stock and New Secured Notes**

The Plan provides that the issuance of the New Stock and Distribution thereof to holders of Allowed GSO Notes Claims, Allowed Kelso Notes Claims, Allowed Unexchanged Notes Claims, and, if applicable, with respect to the CRO Fee Equity Award under the Plan, to the extent that they are deemed Securities (as defined in the Securities Act of 1933, as amended), shall be authorized and exempt from registration under the securities laws solely to the extent permitted under section 1145 of the Bankruptcy Code, as of the Effective Date, without further act or action by any person, unless required by provision of the relevant governance documents or applicable law, regulation, order, or rule; and all documents evidencing the same shall be executed and delivered as provided for in the Plan or the Plan Supplement.

The Plan provides that the issuance of the New Secured Notes, if any, and Distributions thereof of holders of Allowed Unexchanged Notes Claims under the Plan, to the extent that they are deemed Securities (as defined in the Securities Act of 1933, as amended), shall be authorized and exempt from registration under the securities laws solely to the extent permitted under section 1145 of the Bankruptcy Code, as of the Effective Date without further act or action by any person, unless required by provision of the relevant governance documents or applicable law, regulation, order or rule; and all documents evidencing the same shall be executed and delivered as provided for in the Plan or the Plan Supplement.

**12. Waiver of Federal Rule of Civil Procedure 62(a)**

Under the Plan, the Debtors may request that the Confirmation Order include (a) a finding that Fed. R. Civ. P. 62(a) shall not apply to the Confirmation Order, and (b) authorization for the Debtors to consummate the Plan immediately after entry of the Confirmation Order.

**13. Exhibits/Schedules**

The Plan provides that all Exhibits and schedules to the Plan and the Plan Supplement are incorporated into and constitute a part of the Plan as if set forth therein.

### 14. Notices

In accordance with the Plan, all notices, requests, and demands under the Plan, to be effective, shall be in writing and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

To the Debtors:
c/o Logan's Roadhouse, Inc.
3011 Armory Drive, Suite 300
Nashville, Tennessee 37204
Fax No.: (615) 884-9813
Attention: Keith Maib, Chief Restructuring Officer of Finance

with a copy to:

Young Conaway Stargatt & Taylor, LLP
1000 North King Street
Wilmington, DE 19801
Attention: Robert S. Brady, Esq. and Edmon L. Morton, Esq.
rbrady@ycst.com
emorton@ycst.com

### 15. Plan Supplement

The Plan provides that the Plan Supplement will be filed with the Clerk of the Bankruptcy Court no later than ten (10) calendar days prior to the Confirmation Hearing, unless such date is further extended by order of the Bankruptcy Court on notice to parties in interest. The Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours and shall be available online at https://ecf.deb.uscourts.gov . Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to counsel to the Debtors at their address set forth above, or by accessing the website maintained by DRC (the Debtors' claims and noticing agent) at www.donlinrecano.com/logans.

### 16. Further Actions; Implementations

As provided in the Plan, the Debtors shall be authorized to execute, deliver, file or record such documents, contracts, instruments, releases and other agreements and take such other or further actions as may be necessary to effectuate or further evidence the terms and conditions of the Plan. From and after the Confirmation Date, the Debtors shall be authorized to take any and all steps and execute all documents necessary to effectuate the provisions contained in the Plan.

### 17. Severability

As provided in the Plan, if, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors (with the consent of the Required Supporting

Parties, the DIP Agent, and the Required Lenders), shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan provides that the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Plan stipulates that the Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**18. Entire Agreement**

The Plan states that, except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

**19. Binding Effect**

The Plan, by its terms, shall be binding on and inure to the benefit of the Debtors, the holders of Claims against and Equity Interests in the Debtors, and each of their respective successors and assigns, including each of the Reorganized Debtors, and all other parties in interest in the Chapter 11 Cases.

Under the Plan, subject to Article X thereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan, the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors and any and all holders of Claims or Interests (regardless of whether such Claims or Interests are deemed to have accepted or rejected the Plan), all entities that are parties to or are subject to the settlements, compromises, releases, and injunctions described in the Plan, and any and all non-Debtor parties to the executory contracts and unexpired leases with the Debtors. Under the Plan, all Claims and debts shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any holder of a Claim or debt has voted on the Plan.

**20. No Change in Ownership or Control**

The Plan provides that consummation of the Plan is not intended to and shall not constitute a change in ownership or change in control, as defined in any employment or other agreement or plan in effect on the Effective Date to which a Debtor is a party.

**21. Substantial Consummation**

Under the Plan, on the Effective Date the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code. However, the Plan

further provides nothing in the Plan shall prevent the Debtors or any other party in interest from arguing that substantial consummation of the Plan has occurred prior to the Effective Date.

### 22. Conflict

The terms of the Plan shall govern in the event of any inconsistency with the summary of the Plan set forth in this Disclosure Statement. The Plan also provides that, in the event of any inconsistency or ambiguity between and among the terms of the Plan, this Disclosure Statement, and the Confirmation Order, the terms of the Confirmation Order shall govern and control.

## ARTICLE VIII.

## FINANCIAL PROJECTIONS AND VALUATION ANALYSIS

### A. Financial Projections

In connection with the planning and development of the Plan and the implementation of their restructuring and turn-around initiatives, the Debtors prepared projections for the fiscal years 2016 through 2019 to present the anticipated impact of the Debtors' restructuring, which are attached hereto as **Exhibit D**. The projections assume that the Plan will be implemented in accordance with its stated terms. The Debtors are unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the projections due to a material change in the Debtors' prospects. The projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes, and/or a variety of other factors, including the factors listed in this Disclosure Statement and in the projections.

The Financial Projections are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially include, but are not limited to: the ability of the Reorganized Debtors to operate their business consistent with their projections generally, including the ability to maintain or increase revenue and cash flow to satisfy their liquidity needs, service their indebtedness and finance the ongoing obligations of their business, and to manage their future operating expenses and make necessary capital expenditures; the ability of the Reorganized Debtors to comply with the covenants and conditions under their credit facilities and their ability to borrow thereunder; increases in costs including, without limitation, wages, insurance, provisions, changes in rules and regulations applicable to the industry; actions by the courts, the U.S. Department of Justice or other governmental or regulatory authorities, and the results of the legal proceedings to which the Reorganized Debtors or any of their affiliates may be subject; changes in the condition of the Debtors' assets; the Reorganized Debtors' ability to attract and maintain key executives, managers and employees; and changes in customer preferences and other key macroeconomic trends affecting the Reorganized Debtors' business.

### B. Valuation Analysis

The Plan provides for the distribution of New Stock upon consummation of the Plan to holders of Allowed Kelso Note Claims and Allowed GSO Note Claims in Class 4 and holders

that hold at least $50,000 in amount of Unexchanged Notes Claims who are in subclass 5(a). Accordingly, Jefferies, at the request of the Debtors, has performed an analysis, which is attached hereto as **Exhibit E**, of the estimated implied value of the Reorganized Debtors on a going-concern basis as of the projected Effective Date of November 14, 2016 (the "**Valuation Analysis**"). The Valuation Analysis, including the procedures followed, assumptions made, qualifications, and limitations on review undertaken described therein, should be read in conjunction with Article IX of the Disclosure Statement, entitled "Certain Risk Factors to be Considered." The Valuation Analysis is prepared as of September 9, 2016, and is based on data and information as of that date. Jefferies makes no representations as to changes to such data and information that may have occurred since the date of the Valuation Analysis.

## ARTICLE IX.

## CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST THE DEBTORS THAT ARE ENTITLED TO VOTE ON WHETHER TO ACCEPT OR REJECT THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW, ALONG WITH THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING WHETHER TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS ARE NOT NECESSARILY THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

### A. Certain Risks Relating to the New Stock

The receipt and ownership of the New Stock entails substantial risk. Only some of that risk relates to the value of the Reorganized Debtors. The Debtors have identified certain significant risks, as described below:

#### 1. The Debtors May Not Be Able To Achieve Their Projected Financial Results

The Debtors may not be able to meet their projected financial results or achieve the revenue or cash flow that the Debtors have assumed in projecting their future business prospects. If the Debtors do not achieve these projected revenue or cash flow levels, the Debtors may lack sufficient liquidity to continue operating as planned after emergence. The financial projections represent management's view based on currently known facts and hypothetical assumptions about their future operations. They do not, however, guarantee the Debtors' future financial performance.

#### 2. The Plan Exchanges Senior Securities for Junior Securities

If the Plan is confirmed and consummated, certain holders of Claims will receive shares of the New Stock and, if Class 5(b) rejects the Plan, the New Secured Notes. Thus, in agreeing to the Plan, certain of such holders will be consenting to the exchange of their interests in senior debt, which has, among other things, a stated interest rate, a maturity date, and a liquidation

preference over equity securities, for shares of the New Stock and the New Secured Notes, which will be contractually subordinated to the Exit First Lien Facility and the Exit Second Lien Facility and, in the case of the New Stock, will also be structurally subordinated to all claims against Reorganized Holding, including the New Secured Notes.

**3. A Liquid Trading Market for the New Stock May Not Develop**

The Debtors make no assurance that a liquid trading market for the New Stock will develop. The liquidity of any market for the New Stock will depend, among other things, upon the number of holders of New Stock, the Reorganized Debtors' financial performance, and the market for similar securities, none of which can be determined or predicted. Therefore, the Debtors cannot assure that an active trading market will develop or, if a market develops, what the liquidity or pricing characteristics of that market will be.

**4. Significant Holders**

As of the Petition Date, the Supporting Parties held, in the aggregate, one hundred percent (100%) of the debt then outstanding under the Credit Agreement and in excess of eighty percent (83%) in principal amount of Notes then outstanding. Were they and their affiliates to continue to hold that debt and those Notes as of the Effective Date, then they would be significant creditors of the Reorganized Debtors (by virtue of the Exit Financing Facilities, as contemplated by the Plan) and also would constitute the controlling equity holders of the Reorganized Debtors (by virtue of their receipt of a supermajority of the New Stock on account of their GSO Notes Claims, Kelso Notes Claims, and Unexchanged Notes Claims). The Supporting Parties and their affiliates would hold substantially all of the New Stock to be outstanding on the Effective Date (prior to any issuances under the CRO Fee Equity Award and the Management Incentive Plan, to the extent the board of directors of Reorganized Holding approves awards of New Stock thereunder), and therefore would be able to, among other things, elect all of the members of the board of directors of Reorganized Holding. The interests of the Supporting Parties, as the controlling equity holders of Reorganized Holding, may conflict with the interests of other holders of New Stock. The Supporting Parties are in the business of making investments in companies and may, from time to time, hold or acquire interests in businesses that compete directly or indirectly with the business of the Reorganized Debtors.

**5. Lack of Publicly Available Information About the Reorganized Debtors**

Prior to the Petition Date, the Debtors were required to have filed certain financial and other information with the SEC. The Debtors failed to file certain of that financial information, including the Debtors' audited financial statements for the 2015 transition period. It is not anticipated that the Reorganized Debtors will resume filings with the SEC. Accordingly, there now is, and after the Effective Date will continue to be, limited public information available about the Reorganized Debtors, particularly financial information.

**B. Projected Financial Information**

The Financial Projections attached to this Disclosure Statement, and the estimated valuations ~~to be~~ contained ~~therein and~~herein that are based in part on the Financial Projections,

are dependent upon the successful implementation of the Reorganized Debtors' business plan and the validity of the assumptions contained therein. Those projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, the Reorganized Debtors' anticipated future performance, the future performance of the restaurant industry, certain assumptions with respect to the Reorganized Debtors' competitors, general business and economic conditions, and other matters. Many or most of those matters are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Reorganized Debtors' actual financial results. Although the Reorganized Debtors believe that the Financial Projections are reasonably attainable, variations between the actual financial results and those projected may occur and, if they do occur, they may be material and adverse.

### C. Risks Related to the Debtors' Business and Operations

#### 1. Operational Restructuring Efforts

The Debtors are in the process of implementing a number of measures to revitalize the Logan's Roadhouse brand and reduce operating costs. There can be no assurance that these measures will be successful. The Debtors intend to improve customer experience around consistency of execution of exceptional food and service. The Debtors' also expect to implement certain changes in their marketing approach in order to attract new customers and increase frequency of customer visits. However, these measures may not increase customer traffic or improve the performance of their restaurants. Accordingly, it is possible that the trend of declining comparable restaurant sales will continue. In addition, this transformation may result in unexpected expenses and losses. If the Debtors are unable to improve the performance of their restaurants, the financial position and operating results of the Debtors may be adversely impacted. Even if the Debtors' efforts are successful, it may take a significant period of time to realize increased revenues or comparable store sales growth.

### 2. Competition

The Debtors' restaurants operate in an intensely competitive industry. The Debtors compete with other well-established restaurant companies on the basis of type and quality of menu offerings, pricing, customer service, atmosphere, location and overall customer experience. They also compete with other restaurant chains and retail businesses for quality site locations and management and hourly employees. The Debtors' competitors include a large and diverse group from independent local operators to well-capitalized national restaurant companies. In addition, the Debtors face growing competition from the supermarket industry, with the improvement of their "convenience meals" in the form of improved entrees and side dishes from the deli section. Many of the Debtors' competitors are larger and have significantly greater financial resources, a greater number of restaurants, have been in business longer, have greater brand recognition, and are better established in the markets where the Debtors' restaurants are located or are planned to be located. As a result, the Debtors' competitors may be able to invest greater resources than the Debtors in attracting customers and succeed in attracting customers. If the Debtors are unable to continue to compete effectively, competition could have a material adverse effect on the Debtors' operations or earnings.

### 3. Vendors; Raw Material Costs

The Debtors are dependent on timely deliveries of ingredients, including fresh produce, dairy products and meat. The cost, availability and quality of the ingredients used to prepare food are subject to a range of factors, many of which are beyond the Debtors' control. For example, fluctuations in weather, supply and demand, as well as economic and political conditions, could adversely affect the cost, availability and quality of ingredients. Significant menu items that could be subject to price fluctuations include beef, pork, poultry, coffee, eggs, dairy products, wheat products, and corn products. The Debtors may not be able to recover increased costs through menu price increases because competition may limit the ability to implement those increases or may preclude them entirely. In many cases, the Debtors have only one supplier for a product or supply, including their beef and chicken supply. The Debtors' dependence on single source suppliers subjects them to the possible risks of shortages, interruptions and price fluctuations. In addition, the Debtors rely on a contract with one primary distributor to deliver products to their restaurants. If any of these vendors, suppliers, or primary distributor is unable to fulfill their obligations, or if the Debtors are unable to find replacement providers in the event of a supply or service disruption, the Debtors may experience supply shortages and incur higher costs, which would materially harm their business.

The Debtors' profitability depends in part on their ability to anticipate and react to changes in food and supply costs. Commodity pricing is volatile and can change unpredictably and over short periods. The impact of changes in commodity prices is also affected by the term and duration of the Debtors' supply contracts, which are typically one-year contracts. These contracts are negotiated at each renewal, and the Debtors cannot guarantee that such contracts will be available in the future on favorable terms or at all. Any increase in food prices, particularly for beef, chicken, produce, and seafood, could adversely affect the Debtors' operating results. If beef prices rise to high levels, the Debtors' restaurant operating margins will be negatively impacted. In addition, the Debtors are susceptible to increases in food costs as a result of factors beyond their control, such as weather conditions, food safety concerns, costs of

distribution, production problems, delivery difficulties, product recalls, and government regulations. The Debtors cannot predict whether they will be able to anticipate and react to changing food costs by adjusting purchasing practices, menu items, and prices. In addition, because the Debtors' menu items are moderately priced, they may not seek to or be able to pass along price increases to customers. If the Debtors do adjust pricing there is no assurance that they will realize the benefit of any adjustment due to changes in customers' menu item selections and customer traffic.

**4. Seasonality and Macroeconomic Conditions**

As is the case with all restaurant companies, weather conditions can have a strong influence on the Debtors' business, and result in seasonal fluctuations in net sales. Severe weather may also affect seasonal sales volumes in certain markets. Many operating costs are fixed or semi-fixed, which means that the loss of sales during these periods of lower sales could adversely impact profitability.

Additionally, general economic conditions may adversely affect the Debtors' results of operations. Recessionary economic cycles, a protracted economic slowdown, a worsening economy, increased unemployment, increased energy prices, rising interest rates, or other industry-wide cost pressures could affect consumer behavior and spending for restaurant dining and lead to a decline in sales and earnings. Job losses, foreclosures, bankruptcies, and falling home prices could cause customers to make fewer discretionary purchases, and any significant decrease in their customer traffic or average profit per transaction will negatively impact the Debtors' financial performance. If gasoline, natural gas, electricity, and other energy costs increase, and credit card, home mortgage, and other borrowing costs increase with rising interest rates, customers may have lower disposable income and reduce the frequency with which they dine out, spend less on each dining out occasion, or choose more inexpensive restaurants.

Furthermore, the effects that actual or threatened armed conflicts, terrorist attacks, efforts to combat terrorism, heightened security requirements, or failures to protect information systems for critical infrastructure, such as the electrical grid and telecommunications systems, could have on the Debtors' operations, the economy, or consumer confidence generally, are unpredictable. Any of these events could affect consumer spending patterns or result in increased costs for the Debtors.

Finally, a majority of the Debtors' restaurants are located in the Southeast to Southwest United States, and as a result, are particularly susceptible to adverse trends and economic conditions in those regions, including their labor markets. Given this geographic concentration, negative publicity in these regions could have a material adverse effect on the Debtors' business and operations, as could other occurrences in these regions such as local strikes, energy shortages or increases in energy prices, droughts, hurricanes, fires, floods or other natural disasters.

Unfavorable changes in the above factors or in other business and economic conditions could increase costs, reduce restaurant traffic, or impose practical limits on pricing, any of which could lower the Debtors' profit margins and have a material adverse effect on their financial condition and results of operations.

### 5. Health Concerns, Customer Preferences, and Government Regulation

The restaurant industry is affected by consumer preferences and perceptions. If consumers seek out other dining alternatives rather than visit the Debtors' restaurants, whether due to shifts in dietary trends, nutrition, health emphasis or otherwise, the Debtors' business could be materially impacted. Changes in the dining concept and/or menu by the Debtors in response to changes in economic conditions and consumer tastes or dining patterns could result in the loss, rather than gain, of customers. In addition, negative publicity about the Debtors' products or dining experience could materially harm their business, results of operations and financial condition.

Peanuts contribute to the atmosphere of the Debtors' restaurants, which are known for their "bottomless" buckets of peanuts. As a result of the severe nature of some peanut allergies, the United States Food and Drug Administration has identified peanuts as significant allergens, and federal and state regulatory bodies have contemplated extending peanut labeling regulations to the restaurant business. The introduction of such regulations may cause the Debtors to reduce their use of peanuts, which could adversely impact their business and brand differentiation.

### 6. Information Technology and Data Breach

The Debtors will rely heavily on information systems, including point-of-sale processing in restaurants, management of supply chain, payment of obligations, collection of cash, credit, and debit card transactions, and other processes and procedures, some of which are licensed from third parties. The Debtors' ability to efficiently and effectively manage their business will depend significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could cause delays in customer service and reduce efficiency in operations, and significant capital investments could be required to remediate the problem.

The majority of restaurant sales are by credit or debit cards. Other retailers have experienced security breaches in which credit and debit card information has been stolen. Despite mechanisms in place to protect information transmitted by credit or debit card, there is no guarantee that such mechanisms will be effective to prevent such information from being compromised by unscrupulous third parties. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time, which may cause a breach to go undetected for an extensive period of time. Advances in computer and software capabilities and encryption technology, new tools, and other developments may increase the risk of such a breach. Further, the systems used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment at risk, are determined and controlled by the payment card industry. In addition, franchisees, contractors, or third parties with whom the Debtors do business or to whom they outsource business operations may attempt to circumvent security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. The Debtors may become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could result in

significant unplanned expenses, which could have an adverse impact on the Debtors' financial condition and results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on the Debtors and their restaurants.

### 7. Franchisees

As of the Petition Date, the Debtors had two franchisees that operated a total of 26 restaurants. The franchisees are contractually obligated to operate their restaurants in accordance with the Debtors' standards and all applicable laws. Franchisees are independent third parties, and the franchisees own, operate, and oversee the daily operations of their restaurants. As a result, the ultimate success and quality of any franchised restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with the Debtors' standards, the Debtors' image and reputation could be harmed, which in turn could adversely affect the Debtors business and operating results. Further, the failure of either of the franchisees or any of their restaurants to remain financially viable could result in their failure to pay royalties.

Finally, regardless of the actual validity of such a claim, the Debtors may be named as a party in an action relating to, and/or be held liable for, the conduct of their franchisees if it is shown that they exercise a sufficient level of control over a particular franchisee's operation. One of the legal foundations fundamental to the franchise relationship has been that, absent special circumstances, a franchiser is generally not responsible for the acts, omissions or liabilities of its franchisees. Recently, established law has been challenged and questioned by the plaintiffs' bar and certain regulators, and the outcome of these challenges and new regulatory positions remains unknown. If these challenges and/or new positions are successful in altering currently settled law, it could significantly change the relationship between the Debtors and its franchisees. For example, a determination that the Debtors are a "joint employer" with their franchisees or that their franchisees are part of their system with joint and several liability under the National Labor Relations Act, statutes administered by the Equal Employment Opportunity Commission, Occupational Safety and Health Administration, or OSHA, regulations and other areas of labor and employment law, could subject the Debtors to liability for the unfair labor practices, wage-and-hour law violations, employment discrimination law violations, OSHA regulation violations, and other employment-related liabilities of one of their franchisees. In addition, if these changes were to be expanded outside of the employment context, the Debtors could be held liable for other claims against their franchisees such as personal injury claims by customers at franchised restaurants. Therefore, any regulatory action or court decisions expanding the vicarious liability of franchisers could have a material adverse effect on the Debtors' results of operations.

### 8. Government Regulations

The restaurant industry is subject to extensive federal, state and local laws and regulations, including those relating to minimum wage and other labor issues, health care, building and zoning requirements and those relating to the preparation and sale of food. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. The Debtors will also be subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards, and liquor

licenses, federal and state laws governing the Debtors' relationships with employees (including the Fair Labor Standards Act of 1938, the Immigration Reform and Control Act of 1986 and applicable requirements concerning the minimum wage, overtime, family leave, tip credits, working conditions, safety standards, immigration status, unemployment tax rates, workers' compensation rates and state and local payroll taxes), federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the Americans With Disabilities Act of 1990, or the ADA.

The Debtors are subject to the Patient Protection and Affordable Care Act of 2010 ("**PPACA**"). There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance with PPACA. PPACA also requires certain restaurant companies to disclose calorie information on their menus. The Debtors do not expect to incur any material costs from compliance with this provision, but cannot anticipate any changes in customer behavior resulting from the implementation of this portion of the law, which could have an adverse effect on the Debtors' sales or results of operations.

The Debtors are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission, and disposal of hazardous materials. There also has been increasing focus by U.S. and overseas governmental authorities on other environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters, such as the emission of greenhouse gases, where "cap and trade" initiatives could effectively impose a tax on carbon emissions. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in the cost of raw materials, taxes, transportation, and utilities, which could decrease the Debtors' operating profits and necessitate future investments in facilities and equipment. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws could harm the Debtors' reputation or lead to litigation, which could adversely affect the Debtors' financial condition.

The Debtors are subject to various state laws that govern the offer and sale of franchises, as well as the rules and regulations of the Federal Trade Commission. Additionally, many state laws regulate various aspects of the franchise relationship, including the nature, timing and sufficiency of disclosures to franchisees upon the initiation of the franchisor-potential franchisee relationship, conduct during the franchisor-franchisee relationship, and renewals and terminations of franchises. Any failures by the Debtors to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in franchisee-initiated lawsuits, a ban or temporary suspension on future franchise sales, civil and administrative penalties or other fines, or require the Debtors to make offers of rescission, disgorgement, or restitution, any of which could adversely affect the their business and operating results. The Debtors could also face lawsuits by their franchisees based upon alleged violations of these laws. In the case of willful violations, criminal sanctions could be brought against the Debtors.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements, and the consequences of litigation relating to current or future laws and regulations, or an insufficient or ineffective response to significant

regulatory or public policy issues, could increase the Debtors' cost structure, decrease operational efficiencies and talent availability, and therefore have an adverse effect on the Debtors' operations and profitability.

Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines, and civil and criminal liability. Compliance with these laws and regulations can be costly and could increase the Debtors' exposure to litigation or governmental investigations or proceedings.

**9. Intellectual Property**

The Debtors own certain common law trademark rights and federal trademark and service registrations, including for the "Logan's Roadhouse" trade name and logo, as well as proprietary rights related to methods of operation and certain core menu offerings. The Debtors also currently own the exclusive rights to various domain names containing or related to their brand. These intellectual property rights are important to the Debtors' success and their competitive position. If the Debtors are required to commence litigation to enforce their intellectual property rights, such proceedings could be burdensome and costly and would carry the risk that the Debtors may not prevail.

The Debtors cannot ensure that their intellectual property does not and will not infringe on the intellectual property rights of others, or that third parties will not claim infringement in the future. Any such claim, whether or not it has merit, could be time consuming and distracting for the Debtors' management, result in costly litigation, and potentially cause changes to the Debtors' menu items or result in a requirement to enter into royalty or licensing agreements. As a result, any intellectual property claim against the Debtors could have a material adverse impact on their business, financial conditions, and operations.

**10. Labor and Employment**

The loss of services of certain executives or other employees could adversely impact the Debtors' business if they are unable to quickly find suitable replacements. Future growth also depends on the Debtors' ability to recruit and retain high-quality employees to work in and manage their restaurants. A loss of key employees or shortage of restaurant workers could harm the Debtors' business.

Federal and state laws govern such matters as minimum wages, working conditions, overtime, and tip credits. As federal and state minimum wage rates increase, the Debtors may need to increase their employees' wages. Labor shortages and health care mandates could also increase labor costs. In addition, if restaurant management and staff turnover trends increase, the Debtors could suffer higher direct costs associated with recruiting, training, and retaining replacement personnel. Moreover, the Debtors could suffer from significant indirect costs, including restaurant disruptions due to management changeover, potential delays in new restaurant openings, or adverse customer reactions to inadequate customer service levels due to staff shortages. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruitment and

training expense. The Debtors may not be able to completely offset increased labor costs with increased menu pricing. Increased labor costs could result in adverse impacts to the Debtors' business and declines in profitability.

**11. Risk of Food-Borne Illness Incidents**

Claims of illness or injury relating to food quality or food handling are common in the food service industry, and a number of these claims may exist at any given time. It cannot be guaranteed that the Debtors' efforts to ensure that customers enjoy safe, quality food products will be fully effective. Furthermore, reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of the Debtors control and would affect multiple locations rather than single restaurants.

Food-borne illnesses spread at restaurants have generated significant negative publicity at other restaurant chains in the past, which has had a negative impact on their results of operations. Any report or publicity linking the Debtors' restaurants to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect the Debtors' brand and reputation as well as their revenue and profits. Even instances of food-borne illness, food tampering, or food contamination occurring solely at other restaurant brands could result in negative publicity about the food service industry generally and adversely impact the Debtors' restaurants, operations, and business.

If any of the Debtors' customers become ill from food-borne illnesses, the Debtors may be forced to temporarily close some restaurants. Furthermore, any instances of food contamination, whether or not at the Debtors' restaurants, could subject the Debtors' restaurants or suppliers to a food recall pursuant to the Food and Drug Administration Food Safety Modernization Act. Even the prospect of a food safety issue could change consumer perceptions of the safety of the Debtors' food, disrupt their supply chain, and impact their ability to supply certain menu items or adequately staff restaurants. To the extent that a virus is food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause customers to eat less of a product that is critical (or a critical component) in the Debtors' menu or avoid eating in the Debtors' restaurants.

Furthermore, the United States and other countries have experienced, and may experience in the future, outbreaks of viruses, such as avian influenza, SARS, H1N1, various other forms of influenza, enterovirus, and Ebola. To the extent that a virus is transmitted by human-to-human contact, the Debtors' customers or employees could become infected or could choose, or be advised, to avoid gathering in public places and avoid eating in restaurant establishments, which could adversely affect the Debtors' business. In addition, certain jurisdictions may impose mandatory closures, seek voluntary closures, or impose restrictions on operations. Any of these events or any related negative publicity would adversely affect the Debtors' business.

**12. Complaints or Litigation**

From time to time, the Debtors may be subject to employee claims alleging injuries, wage and hour violations, discrimination, harassment or wrongful termination, as well as customer and third party claims. In recent years, a number of restaurant companies have been subject to

lawsuits, including class and collective action lawsuits, alleging violations of federal and state law regarding workplace, employment, and similar matters. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Debtors' brand, regardless of the validity of the claims or the ultimate determination of liability. Regardless of whether any claims against the Debtors are valid or whether they are ultimately determined to be liable, claims may be expensive to defend and may divert time and money away from the Debtors' operations and hurt the Debtors' financial performance. A significant judgment for any claim could materially adversely affect the Debtors' financial condition or results of operations.

The Debtors may also be subject to state and local "dram shop" statutes, which may subject them to uninsured liabilities. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Because a plaintiff may seek punitive damages, which may not be fully covered by insurance, this type of action could have an adverse impact on the Debtors' financial condition and results of operations.

**13. Insurance**

The Debtors may incur certain types of losses that cannot be insured against or that they believe are not economically reasonable to insure. In addition, the Debtors may not be able to obtain adequate insurance in the future and premiums for insurance may increase over time and such increases may be significant. Uninsured losses could have a material adverse effect on the Debtors' business and results of operations. Unanticipated changes in the actuarial assumptions and management estimates underlying the Debtors' reserves for losses under self-insured workers' compensation, general liability, employee health, and property insurance programs could result in materially different amounts of expense under these programs, which could have a material adverse effect on the Debtors' business, financial condition and results of operations.

**14. Goodwill and Intangible Assets**

The Debtors are required to evaluate goodwill and other intangibles for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows or at least annually. This evaluation requires the use of projections of future cash flows from the reporting segment. These projections are based on growth rates, anticipated future economic conditions, the appropriate discount rates relative to risk and estimates of residual values. If changes in growth rates, future economic conditions, discount rates or estimates of residual values were to occur, goodwill and other intangibles may become impaired. This could result in material charges that could be adverse to the Debtors' operating results and financial position.

### D. Financial Risks

The Reorganized Debtors' working capital needs are anticipated to be funded by the Exit First Lien Facility and Exit Second Lien Facility. The credit agreement establishing the Exit First Lien Facility will be on the terms described in the Exit First Lien Financing Term Sheet and will be in substantially the form included as an exhibit to the Plan Supplement. It is likely that credit agreement will include, among other things, restrictions on the Reorganized Debtors' ability to incur additional indebtedness, consummate certain asset sales, create liens on assets, make investments, loans or advances, consolidate or merge with or into any other Person, or convey, transfer, or lease all or substantially all of their assets, or change the business to be conducted by them. The Exit First Lien Facility also will contain specific financial covenants, as well as customary events of default. A breach of any of those covenants could result in a default under the Exit First Lien Facility; and, in certain cases, such default could result in a cross-default under the credit agreement for the Exit Second Lien Facility discussed below. It also is anticipated that substantially all of the assets of the Reorganized Debtors will be pledged as security under the Exit First Lien Facility.

In addition, upon the Effective Date the Reorganized Debtors will enter into the Exit Second Lien Facility. The credit agreement establishing the Exit Second Lien Facility will be will be on the terms described in the Exit Second Lien Financing Term Sheet and will be in substantially the form included as an exhibit to the Plan Supplement. It is likely that credit agreement will include, among other things, restrictions on the Reorganized Debtors' ability to incur additional indebtedness, consummate certain asset sales, create liens on assets, make investments, loans or advances, consolidate or merge with or into any other Person, or convey, transfer, or lease all or substantially all of their assets, or change the business to be conducted by them. The Exit Second Lien Facility also will contain specific financial covenants, as well as customary events of default. A breach of any of those covenants could result in a default under the Exit Second Lien Facility; and, in certain cases, such default could result in a cross-default under the credit agreement for the Exit First Lien Facility discussed above. It also is anticipated that substantially all of the assets of the Reorganized Debtors will be pledged as security under the Exit Second Lien Facility.

Based on the Reorganized Debtors' level of secured funded indebtedness, the treatment accorded general unsecured creditors under the Plan, and other factors affecting the Reorganized Debtors or their business, one or more suppliers, including suppliers material to the business of the Reorganized Debtors, could decline to continue shipping products to the Reorganized Debtors or, as a condition to such shipments, could require more restrictive payment terms than had existed previously. The occurrence of the foregoing could affect the Reorganized Debtors in a material and adverse manner.

There can be no assurance that the Reorganized Debtors will be able to generate sufficient cash flow from operations to enable them, along with the availability under the First Lien Exit Facility and Second Lien Exit Facility, to maintain operations at a sufficient level, or to repay their indebtedness as such indebtedness becomes due and payable; and the Reorganized Debtors may not be able to extend the maturity of or refinance such indebtedness on commercially reasonable terms or at all.

## E. Certain Bankruptcy Law Considerations

### 1. Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation, or that any such modifications would not necessitate the resolicitation of votes to accept the modified Plan.

The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created ten (10) Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. However, a Claim or Interest holder could challenge the Debtors' classification. In such an event, the cost of the Chapter 11 Cases and the time needed to confirm the Plan may increase, and there can be no assurance that the Bankruptcy Court will agree with the Debtors' classification. If the Bankruptcy Court concludes that the classifications of Claims and Interests under the Plan do not comply with the requirements of the Bankruptcy Code, the Debtors may need to modify the Plan. The Plan may not be confirmed if the Bankruptcy Court determines that the Debtors' classification of Claims and Interests is not appropriate.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors may seek, as promptly as practicable thereafter, Confirmation. If the Plan does not receive the required support from the Voting Classes, the Debtors may elect to amend the Plan (with the consent of the Required Supporting Parties), seek to sell their assets pursuant to section 363 of the Bankruptcy Code, or proceed with liquidation.

The Debtors cannot assure you that the Plan will be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a plan of reorganization, requires, among other things, a finding by the Bankruptcy Court that the plan of reorganization is "feasible," that all claims and interests have been classified in compliance with the provisions of section 1122 of the Bankruptcy Code, and that, under the plan of reorganization, each holder of a claim or interest within each impaired class either accepts the plan of reorganization or receives or retains cash or property of a value, as of the date the plan of reorganization becomes effective, that is not less than the value such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code. There can be no assurance that the Bankruptcy Court will conclude that the feasibility test and other requirements of section 1129 of the Bankruptcy Code have been met with respect to the Plan. There can be no assurance that modifications to the Plan would not be required for Confirmation.

If the Plan is not confirmed, the Chapter 11 Cases may be converted into cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Interests and the Liquidation Analysis are set forth in the Liquidation Analysis. The Debtors believe that liquidation under chapter 7 of the Bankruptcy

Code would result in, among other things, smaller distributions being made to holders of Claims and Interests than those provided for in the Plan because of:

- the absence of a market for the Debtors' assets on a going concern basis;
- additional administrative expenses involved in the appointment of a trustee; and
- additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other Executory Contracts in connection with a cessation of the Debtors' operations.

**2. Risk of Objection to Claim or Interest**

Except as otherwise provided in the Plan, the Debtors and other parties in interest reserve the right to object to the amount or classification of any Claim or Interest under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any holder of a Claim or Interest where such Claim or Interest is subject to an objection. Any holder of a Claim or Interest that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement

**3. Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that the Effective Date will occur prior to the close of the Debtors' fiscal year ending December 2016, there can be no assurance as to such timing or that the conditions to the Effective Date, as contained in the Plan, will occur on a timely basis or at all. Moreover, both the Restructuring Support Agreement and the DIP Facilities contain milestones relating to, among other things, the timely occurrence of the Effective Date; and there can be no assurance that the timely occurrence of the Effective Date will occur within the respective time frames set forth in the Restructuring Support Agreement and the DIP Facilities, if at all. Failure to meet the milestones with respect to the occurrence of the Effective Date constitutes an event of default under both the Restructuring Support Agreement and the DIP Facilities.

**4. Contingencies May Affect Distributions**

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies could affect distributions under the Plan to holders of Claims.

**5. Risk of Amendment, Waiver, Modification, or Withdrawal of Plan**

The Debtors, or the Reorganized Debtors, as applicable, reserve the right, in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Restructuring Support Agreement, and consistent with the terms of the Plan, to amend the terms of the Plan or waive any conditions thereto if and to the extent that such amendments or waivers are consistent with the terms of the

Restructuring Support Agreement and necessary or desirable to consummate the Plan, subject to the requisite Supporting Party consent. The potential impact of any such amendment or waiver on the holders of Claims and Interests cannot presently be foreseen but may include a change in the economic impact of the Plan on some or all of the proposed Classes or a change in the relative rights of such Classes. All holders of Claims and Interests will receive notice of such amendments or waivers required by applicable law and the Bankruptcy Court. If, after receiving sufficient acceptances, but prior to Confirmation of the Plan, the Debtors seek to modify the Plan, the previously solicited acceptances will be valid only if (1) all adversely affected Classes accept the modification in writing, or (2) the Bankruptcy Court determines, after notice to designated parties, that such modification was *de minimis* or purely technical or otherwise did not adversely change the treatment of holders of accepting Claims and Interests or is otherwise permitted by the Bankruptcy Code.

### 6. Risk of Material Adverse Effects on the Debtors' Operations

The commencement of the Chapter 11 Cases could adversely affect the relationships between the Debtors and their customers, employees, partners, and other parties. Such adverse effects could materially impair the Debtors' operations, including their ability to serve their customers.

### 7. Risk of Lengthy Bankruptcy Proceedings

The Debtors estimate that the process of obtaining Confirmation of the Plan by the Bankruptcy Court will last approximately 90-120 days from the Petition Date, but it could last considerably longer if, for example, Confirmation is contested or the conditions to Confirmation or consummation are not satisfied or waived.

Although the Plan is designed to minimize the length of the Chapter 11 Cases, it is impossible to predict with certainty the amount of time that the Debtors may spend in bankruptcy, and the Debtors cannot be certain that the Plan will be confirmed. Even if confirmed on a timely basis, the Chapter 11 Cases could themselves have an adverse effect on the Debtors' business. There is a risk, due to uncertainty about the Debtors' futures that, among other things:

- customers could frequent the Debtors' competitors instead of the Debtors;
- employees could be distracted from performance of their duties or more easily attracted to other employment opportunities; and
- suppliers, vendors, or other business partners could terminate their relationship with the Debtors or demand financial assurances or enhanced performance, any of which could impair the Debtors' prospects.

A lengthy bankruptcy proceeding also would involve additional expenses and divert the attention of management from the operation of the Debtors' business, which could also result in the potential loss of new business opportunities for the Debtors.

The disruption that the bankruptcy process could have on the Debtors' business may increase with the length of time it takes to complete the Chapter 11 Cases. If the Debtors are

unable to obtain Confirmation of the Plan on a timely basis, because of a challenge to the Plan or otherwise, the Debtors may be forced to operate in bankruptcy for an extended period of time while they try to develop a different plan of reorganization that can be confirmed. A protracted bankruptcy case could increase both the probability and the magnitude of the adverse effects described above.

**8. Risk of Other Plan Proposals**

Other parties in interest could seek authority from the Bankruptcy Court to propose an alternative plan of reorganization to the Plan. Under the Bankruptcy Code, a debtor in possession initially has the exclusive right to propose and solicit acceptances of a plan of reorganization for a period of 120 days from the Petition Date. However, such exclusivity period can be reduced or terminated upon order of the Bankruptcy Court. If such an order were to be entered, other parties in interest would then have the opportunity to propose alternative plans of reorganization.

If another party in interest were to propose an alternative plan of reorganization following expiration or termination of the Debtors' exclusivity period, such a plan may be less favorable to existing holders of Claims and Interests, including the holders of Claims in the Voting Classes. If there were competing plans of reorganization, the Chapter 11 Cases likely would become longer, more complicated, and much more expensive. If this were to occur, or if the Debtors' employees or other constituencies important to the Debtors' business were to react adversely to an alternative plan of reorganization, the adverse consequences discussed in the preceding section may also occur.

**9. Contract and Lease Assumption Risks**

An executory contract is a contract on which performance remains due to some extent by both parties to the contract. If the Debtors elect to assume an Executory Contract or Unexpired Lease, with respect to some limited classes of Executory Contracts, including licenses with respect to patents or trademarks, the Debtors may need to obtain the consent of the counterparty to maintain the benefit of the contract. There is no guarantee that such consent either would be forthcoming or that conditions would not be attached to any such consent that makes assuming the contracts unattractive. The Debtors then would be required to either forego the benefits offered by such contracts or to find alternative arrangements to replace them.

**10. Fraudulent Conveyances and Preferential Transfers**

Certain payments received by stakeholders prior to the Petition Date could be challenged under applicable debtor/creditor or bankruptcy laws as either a "fraudulent conveyance" or a "preferential transfer." A fraudulent conveyance occurs when a transfer of a debtor's assets is made with the intent to defraud creditors or in exchange for consideration that does not represent reasonably equivalent value to the property transferred. A preferential transfer occurs upon a transfer of property of the debtor while the debtor is insolvent for the benefit of a creditor on account of an antecedent debt owed by the debtor that was made on or within 90 days before the petition date or one year before the petition date, if the creditor, at the time of such transfer, was an insider. If any transfer were challenged in the Bankruptcy Court and found to have occurred

with regard to any of the Debtors' material transactions, the Bankruptcy Court could order the recovery of all amounts received by the recipient of the transfer.

### 11. Final Approval and Availability of the DIP Facilities

Upon commencing the Chapter 11 Cases, the Debtors asked the Bankruptcy Court to authorize the Debtors to enter into the DIP Credit Agreement and use cash collateral to fund the Chapter 11 Cases and to provide customary adequate protection to the DIP Lenders under the DIP Credit Agreement, which requests were granted on an interim basis. Such access to postpetition financing and cash collateral will provide liquidity during the pendency of the Chapter 11 Cases. There can be no assurance that the Bankruptcy Court will approve on a final basis the DIP Facilities and/or such use of cash collateral on the terms requested. Moreover, if the Chapter 11 Cases take longer than expected to conclude, the Debtors may exhaust their available financing or their obligations under the DIP Facilities may mature. There is no assurance that the Debtors will be able to obtain an extension of the right to obtain further postpetition financing or use cash collateral, in which case, the liquidity necessary for the orderly functioning of the Debtors' business may be impaired materially.

### 12. The Debtors' Estimates and Assumptions Regarding's Secured, Administrative, and Priority Claims May Be Incorrect

In preparing their business plan and the Financial Projections, the Debtors have made certain estimates and assumptions regarding obligations that will need to be paid in full, in cash as of the Effective Date of the Plan. Among the obligations that will be paid in full, in cash as of the Effective Date of the Plan are Administrative Claims, Priority Tax Claims, Other Priority Claims, and, at the Debtor's election, Other Secured Claims, and the cash requirements of the Reorganized Debtors as of the Effective Date are derived form, among other things, the Debtors' estimates and assumptions about the cash required to pay these Claims. For instance, Other Priority Claims include claims entitled to priority under Section 507(a)(4) of the Bankruptcy Code relating to wages, salaries, or commissions earned within 180 days before the Petition Date. Certain Debtors are defendants in a prepetition collective action brought under the Fair Labor Standards Act ("**FLSA**") styled as *Bradford and Bolen v. Logan's Roadhouse, Inc., et al.*, 3:14-w-02184 (M.D. Tenn.) (the "**Bradford Action**"), alleging violations of the FLSA with respect to certain tipped employees employed by Logan's Roadhouse, Inc. The action was conditionally class certified in 2015 and approximately ~~5,000~~4,750 current and former employees opted-in as plaintiffs. Certain Debtors are defendants in a putative collective action brought under the FLSA styled as *Elchert and Crochet v. LRI Holdings, Inc. and Logan's Roadhouse, Inc.*, Case No. 3:16-cv-00564 (M.D. Tenn.) (the "**Elchert Action**," and with the Bradford Action, the **"FLSA Actions**"), alleging violations of the FLSA with respect to certain assistant managers employed by Logan's Roadhouse, Inc. The Elchert Action has not been class certified and only three plaintiffs have opted to participate to date, but it purports to be on behalf of all assistant managers at Logan's restaurants. The Debtors anticipate that the plaintiffs in the FLSA Actions may allege that some portion of their claims are entitled to priority under Section 507(a)(4) of the Bankruptcy Code. The Debtors dispute the allegations in the FLSA Actions, have vigorously defended against them and intend to continue to do so.

The Debtors have~~, nonetheless,~~ included the occurrence of certain contingencies in their estimate of secured, administrative and priority claims that will need to be paid in full at or following the Effective Date. However, the Debtors' estimates and assumptions may differ materially from the actual Allowed amount of claims that need to be paid in full, in cash, as of the Effective Date, including Other Priority Claims related to the FLSA Actions.

### 13. Risk of Termination of the Restructuring Support Agreement

Pursuant to the Restructuring Support Agreement, the Supporting Parties are obligated to support the restructuring transaction discussed above and the Plan. Nevertheless, the Restructuring Support Agreement is subject to termination upon the occurrence of a Termination Event (as such term is defined in the Restructuring Support Agreement). Accordingly, the Restructuring Support Agreement may be terminated after the date of this Disclosure Statement, and such a termination would present a material risk to Confirmation of the Plan because the Plan may no longer have the support of the Supporting Parties.

## ARTICLE ~~IX~~X.

## CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

### A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims and Equity Interests in six (6) of the Classes of the Plan are Impaired. Those Classes are Class 3 (Revolving Facility Lender Claims), Class 4 (GSO Notes Claims and Kelso Notes Claims), Class 5 (Unexchanged Notes Claims), Class 6 (General Unsecured Claims), Class 8 (Subordinated Claims), and Class 9 (Existing Equity Interests). However, only the holders of Allowed Claims in four of those Classes (Classes 3, 4, 5, and 6) are entitled to vote to accept or reject the Plan. Holders of Claims and Equity Interests in Classes 8 and 9 are Impaired and are deemed to have rejected the Plan; and, therefore, are not entitled to vote to accept or reject the Plan. Further, the Claims in Class 1 (Other Priority Claims), Class 2 (Other Secured Claims), Class 7 (Intercompany Claims), and Class 10 (Intercompany Interests) are Unimpaired and are conclusively presumed to have accepted the Plan; and, therefore, they are not entitled to vote to accept or reject the Plan.

As to Classes of Claims entitled to vote on the Plan, section 1126(c) of the Bankruptcy Code defines "acceptance" of a reorganization plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount (commonly referred to as the "aggregate claim amount" requirement) and more than one-half in number (commonly referred to as the "numerosity" requirement) of the Claims of that class that have timely voted to accept or reject a plan.

A vote on acceptance or rejection of a reorganization plan may be disregarded if the bankruptcy court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any Claim to which an objection or request for estimation is pending, or which is on the Schedules is reflected as unliquidated, disputed or contingent and for which no proof of claim has been filed, is not entitled to vote on whether to accept or reject the Plan unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, the Debtors propose that Ballots cast by alleged creditors of the Debtors whose Claims (x) are not listed on the Schedules or (y) are listed on the Schedules as disputed, contingent and/or unliquidated, but who in either case have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors, will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate claim amount requirements of that section.

### B. The Confirmation Hearing

The Bankruptcy Code requires that a bankruptcy court, after notice, hold a confirmation hearing prior to determining whether to confirm the proposed plan of reorganization. The Confirmation Hearing is scheduled for ~~,~~10:00 a.m., prevailing Eastern Time, on November 7, 2016, but may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or filed on the Docket. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. Subject to section 1127 of the Bankruptcy Code and the Restructuring Support Agreement, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Additionally, section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation. The Bankruptcy Court has established ~~,~~October 28, 2016 at 4:00 p.m.~~ (ET)~~, prevailing Eastern Time, as the deadline for parties in interest to file Plan objections (the "**Objection Deadline**"). All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest so that they are received on or before the Objection Deadline.

### C. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among those requirements are that the Plan is (i) accepted by all Impaired Classes of Claims and Equity Interests (or, if rejected by an Impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such Class), (ii) feasible, and (iii) in the "best interests" of creditors and equity interest holders that are Impaired under the Plan. These three concepts are described below.

**1. Acceptance**

Under the Bankruptcy Code, certain classes are not entitled to vote to accept or reject a proposed plan because those classes are conclusively presumed to have voted to accept that plan or are deemed to have rejected that plan. In the case of Class 1 (Other Priority Claims), Class 2 (Other Secured Claims), Class 7 (Intercompany Claims), and Class 10 (Intercompany Interests), those Classes are Unimpaired under the Plan and, therefore, are conclusively presumed to have accepted the Plan. In the case of Class 8 (Subordinated Claims) and Class 9 (Existing Equity Interests), those Classes are deemed to reject the Plan because, under the Plan, those Classes are Impaired and the members of those Classes will not receive any Distribution or be entitled to retain any property on account of those Claims or Equity Interests. Consequently, only holders of Allowed Claims in Class 3 (Revolving Facility Lender Claims), Class 4 (GSO Notes Claims and Kelso Notes Claims), Class 5 (Unexchanged Notes Claims), and Class 6 (General Unsecured Claims) are entitled to vote to accept or reject the Plan.

Because Classes 8 and 9 are Impaired and also are deemed to reject the Plan, the Debtors will seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code, with respect to such Classes; provided that the Debtors will only seek the nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code, if at least one (1) Class of Claims Impaired under the Plan has accepted the Plan (and which Class's acceptance is determined without inclusion of Claims of Insiders).

**2. Confirmation Without Acceptance of All Impaired Classes**

Section 1129(b) of the Bankruptcy Code establishes a procedure to obtain the nonconsensual confirmation of a proposed plan. This procedure is known as a "cram down". To obtain nonconsensual confirmation, it must be demonstrated to the bankruptcy court that the proposed plan (x) "does not discriminate unfairly" and (y) is "fair and equitable" with respect to each nonaccepting class that is impaired under the proposed plan. The Debtors believe that the Plan does not discriminate unfairly, and they also believe it is fair and equitable.

a. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be fair. In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

b. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured vs. unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount

of the allowed claims in such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class, which are as follows:

(1) Secured Creditors. In the case of a class of secured creditors, either: (i) each impaired creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim; or (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim; or (iii) the property securing the claim is sold free and clear of Liens (with such Liens instead attaching to the proceeds of the sale and the treatment of such Liens on proceeds satisfying clause (i) or (ii) above. The Plan establishes three Classes of Impaired secured Claims: Class 3 (Revolving Facility Lender Claims), Class 4 (GSO Notes Claims and Kelso Notes Claims), and Class 5 (Unexchanged Notes Claims). The majority in amount of the Claims in each of those Classes are held by the Supporting Parties, who will vote in favor of the Plan in accordance with the Restructuring Support Agreement. With respect to Class 3, the Revolving Facility Lender Claims will either receive their pro rata share of the Exit Revolving Facility, as agreed to in the Restructuring Support Agreement, or such claims will be paid in full in cash or otherwise satisfied. With respect to Class 4 and 5, who hold liens on substantially all of the Debtors' assets that are *pari passu* between the classes and junior to the liens securing the Revolving Facility Lender Claims in Class 3, the holders will receive the equity of the Reorganized Debtors (or the Cash-Out Payment), which the Debtors believe provides the indubitable equivalent of the value of such holders' residual interest in the Debtors' assets.

(2) Unsecured Creditors. In the case of a class of unsecured creditors, either: (i) each impaired unsecured creditor receives or retains under the proposed plan property of a value equal to the amount of its allowed claim; or (ii) the holders of claims and equity interests that are junior to the claims or equity interests of the particular nonaccepting class will not receive any property under the plan. The Plan establishes one Class of Impaired unsecured Claims: Class 6 (General Unsecured Claims); no holders of Claims or Interests junior to holders of Claims in Class 6 are receiving anything on account of their Claims or Interests; *provided* that for administrative convenience, Intercompany Claims may be reinstated, cancelled or compromised and Intercompany Interests will remain in place.

(3) Equity Interests. In the case of a class of equity holders, either: (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of its interest (whichever is highest); or (ii) the holder of an equity interest that is junior to the particular nonaccepting class will not receive or retain any property under the Plan. Here, with respect to holders of Equity Interests there are no junior classes receiving any recovery under the Plan; *provided* that Intercompany Interests will remain in place for administrative convenience.

**3. Feasibility**

For a reorganization plan to be confirmed, section 1129(a)(11) of the Bankruptcy Code requires that confirmation of that plan is not likely to be followed by the liquidation of the

debtor, or by the need for further financial reorganization of that debtor. The Debtors believe the Plan satisfies this confirmation requirement. The Debtors have analyzed their ability to meet their obligations under the Plan and, based upon the Financial Projections attached as **Exhibit D** to this Disclosure Statement and the assumptions ~~to be~~ set forth therein, including (among other things) the anticipated liquidity to be provided under the Exit First Lien Facility, the Debtors believe they will be able to make all Distributions required by the Plan and also will be able to fund their corporate and working capital needs going forward.

**4. Best Interests Test**

For a reorganization plan to be confirmed, section 1129(a)(7) of the Bankruptcy Code requires, in general, with respect to each Impaired class of claims and equity interests, that each holder of an allowed claim or equity interest either (i) accept the plan or (ii) receive or retain under the plan, on account of such claim or equity interest, property of a value, as of the plan's effective date, that is not less than the value such holder would so receive or retain if the debtors instead were liquidated under chapter 7 of the Bankruptcy Code.

To determine what each holder of an Allowed Claim or Equity Interest would receive if the Debtors were to be liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets in the context of a chapter 7 liquidation case. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtors (if any), plus the unencumbered Cash (if any) held by the Debtors at the time of the commencement of the liquidation case and litigation recoveries not available under the Plan. That aggregate amount then would be reduced by the amount of the costs and expenses of liquidation, plus any additional administrative and priority Claims that might result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation.

The costs and expenses of any liquidation under chapter 7 would include, among other things, the fees payable to a chapter 7 trustee, as well as the fees and expenses that might be payable to attorneys and other professionals that such a chapter 7 trustee might engage. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases. All of these Claims, as well as other Claims that might arise in a liquidation case or result from the Chapter 11 Cases, including any unpaid expenses incurred by the Debtors and the Creditors' Committee during the Chapter 11 Cases (such as compensation for legal and financial advisors and accountants), would need to be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Allowed General Unsecured Claims.

The value of those net distribution proceeds from the Debtors' unencumbered assets are then compared to the value of the property offered to such Classes of Claims and Equity Interests under the Plan, to determine if the Plan is in the best interests of each such Impaired Class.

The Debtors have considered the impact that a chapter 7 liquidation would have on the ultimate proceeds available for Distribution to holders of Claims and Equity Interests in the Chapter 11 Cases, as detailed in the Liquidation Analysis being prepared by the Debtors (with the assistance of their financial advisor). A copy of that Liquidation Analysis is attached as **Exhibit F** to this Disclosure Statement. As a result of the Liquidation Analysis, the Debtors believe that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive were the Debtors instead to be liquidated under chapter 7.

It is important to emphasize that a liquidation analysis, like any other type of financial projection, must be based on a series of estimates and assumptions that, although developed and considered reasonable at the time that analysis is undertaken, are inherently subject to significant economic and competitive uncertainties and contingencies, mostly beyond the control of the Debtors. Moreover, liquidation involves a sequence of steps, with each step involving potentially multiple alternate decisions. The sequence of steps, and decision made at each applicable step, as assumed for purposes of the analysis may or may not be the sequence and decisions that ultimately would have been taken and made, or even available, had an actual liquidation been undertaken. For these reasons, there can be no assurance that an aggregate value at least equal to the valuation reflected in the Liquidation Analysis in fact would be achieved in any such actual liquidation.

## ARTICLE ~~X~~XI.

## ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors would have two principal alternatives if the Plan is not to be confirmed and consummated. First, the Debtors could seek the confirmation and consummation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code. Second, the Debtors could seek liquidation under chapter 7 or chapter 11 of the Bankruptcy Code. These two alternatives are discussed below.

### A. Alternative Plan of Reorganization Under Chapter 11

If the Plan is not confirmed, the Debtors (or, after the expiration of the Debtors' exclusive period in which to propose and solicit a plan of reorganization, any other party in interest in the Chapter 11 Cases) could propose a different plan or plans of reorganization under chapter 11 of the Bankruptcy Code. Such plans might involve a reorganization and continuation of the Debtors' business, an orderly liquidation of the Debtors' assets, a transaction, or a combination of such alternatives. As of the date of this Disclosure Statement, there is no feasible alternative plan of reorganization that has been developed by the Debtors. Moreover, the Debtors believe that the Plan, as described in this Disclosure Statement, enables creditors to realize the highest and best value available under the circumstances, and that any liquidation of the Debtors' assets, or alternative form of chapter 11 plan, would result in substantially more delay, risk and uncertainty to the Debtors and their creditors.

Additionally, any alternative plan of reorganization would need to provide for payment of DIP Facilities Claims in Cash, because the agreement to roll those Claims into the Exit Second

Lien Facility is contingent upon confirmation of the Plan. Moreover, the proposal of any alternative plan is a Termination Event (as defined by the Restructuring Support Agreement) under the Restructuring Support Agreement, and would relieve the Supporting Parties from their obligations thereunder. Additionally, termination of the Restructuring Support Agreement is an Event of Default under the DIP Credit Agreement.

**B. Liquidation Under Chapter 7 or Chapter 11**

If no plan of reorganization is confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee or trustees would be appointed to liquidate the assets of the Debtors. It is impossible to predict precisely how the proceeds of the liquidation, if any, would be distributed to the respective holders of Claims against the Debtors.

The Debtors believe, however, that creditors would lose the substantially higher going concern value if the Debtors were forced to liquidate. In addition, the Debtors believe that in a liquidation under chapter 7, before creditors would receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants, and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors may also be liquidated pursuant to a liquidation plan under chapter 11 of the Bankruptcy Code. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion, a process that may be conducted over a more extended period of time than a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than a chapter 7 liquidation, but still would be subject to the potential delay in distributions that could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to holders of Claims or Equity Interests under a chapter 11 liquidation plan may be delayed substantially.

The Liquidation Analysis is premised upon a hypothetical liquidation in a chapter 7 case. As described in Article ~~IX~~X above, the Debtors believe that a liquidation under chapter 7 is a substantially less attractive alternative to the Debtors and their creditors.

## ARTICLE ~~XI~~XII.

## SECURITIES LAWS MATTERS

The Plan provides that New Stock will be issued to holders of Allowed Claims in Class 4 (GSO Notes Claims and Kelso Notes Claims) and Class 5 (Unexchanged Notes Claims).[~~12~~13] The Plan also provides that the Debtors may, at their election, award New Stock to Mackinac Partners, LLC to satisfy a portion of Mackinac Partners, LLC's fees under and in accordance with the terms of the Engagement Letter dated May, 25, 2016. The Plan further provides that New Secured Notes will be issued to holders of Claims in Subclass 5(b) if that subclass does not vote to accept the Plan.

The New Stock and New Secured Notes (if any) issued under the Plan may be "securities" within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**"). The Debtors do not intend to file a registration statement under the Securities Act, or any corresponding state securities laws, in connection with the offer and Distribution of the New Stock or New Secured Notes (if any) under the Plan. The Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code exempt the Debtors' offer and Distribution of the New Stock or New Secured Notes (if any) from federal and state securities registration requirements (including, but not limited to, Section 5 of the Securities Act or any corresponding state law requiring the registration for offer or sale of a security).

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from the registration requirements the Securities Act and corresponding state laws if certain criteria are satisfied, principally that: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must each hold a prepetition claim against (or equity interest in), or a claim for administrative expense in the reorganization case concerning, the debtor or such affiliate; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or equity interest in the debtor or such affiliate, or principally in such exchange and partly for cash or property. As indicated above, the Debtors believe that the offer and sale of the New Stock and New Secured Notes (if any) under the Plan satisfies the requirements of section 1145(a)(1) and thus is entitled to the exemption from registration afforded by that section. However, section 1145(a)(1), by its terms, would not be available to any entity deemed a statutory underwriter under section 1145.[~~13~~14] You should confer with your own legal advisors to help determine whether or not you are an "underwriter."

[~~12~~13] Except for holders of Allowed Claims in Class 5(b) who are to receive a Cash-Out ~~payment~~Payment under the Plan.

[~~13~~14] Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any entity who "(A) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such a claim or interest; (B) offers to sell securities offered or sold under the plan for the holders of such securities; (C) offers to buy securities offered or sold under the plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities; and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (D) is an issuer, as used in such section 2(a)(11) [of the Securities Act], with respect to such securities."

Section 1145 stipulates that the offer and sale of securities in accordance with section 1145(a)(1) is deemed to be a public offering. To the extent a creditor of the Debtors receives any New Stock or the New Secured Notes in accordance with section 1145, the subsequent transfer of such New Stock or the New Secured Notes typically would be exempt from registration under the Securities Act, pursuant to section 4(1) of the Securities Act, unless such holder was deemed to be an "issuer", "underwriter," or "dealer" with respect to such securities.

In light of the complexities of the foregoing provisions, the Debtors are unable to offer any assurance concerning the right of any Person to trade in the New Stock or New Secured Notes (if any); nor will the Debtors seek any no-action advice from the SEC or any applicable state securities commissioner. Creditors are urged to consult with their own counsel regarding the securities laws implications of obtaining, holding, and trading in New Stock or New Secured Notes (if any).

## ARTICLE ~~XII~~XIII.

## TAX MATTERS

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY FEDERAL, STATE, LOCAL, OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

This discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors and to ~~certain~~U.S. holders (as defined below) of Claims that are entitled to vote to accept or reject the Plan. This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "**IRC**"), Treasury Regulations promulgated thereunder, judicial authorities, and current published administrative rulings and practice of the United States Internal Revenue Service (the "**IRS**") and other applicable authorities, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan.

The following summary is limited to holders ~~that are United States persons within the meaning of the IRC~~of Claims that are U.S. holders (as defined herein). For purposes of the following discussion, a "~~**United States person**~~**U.S. holder**" is any of the following:

- ~~•~~ An individual who is a citizen or resident of the United States;

- ~~•~~ A corporation (or other entity classified as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States ~~or~~, any state ~~or political subdivision~~ thereof or the District of Columbia;

- ~~•~~ An estate, the income of which is subject to federal income taxation regardless of its source; or

- ~~•~~ A trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to the Debtors or a particular U.S. holder in light of its particular facts and circumstances, or to certain types of U.S. holders subject to special treatment under the IRC or other applicable tax rules or regulations, and does not address any tax consequences related to the holding or disposition of interests in Reorganized Holding. Examples of U.S. holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority~~, foreign companies, persons who are not citizens or residents of the United States~~, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, U.S. holders that are or hold their Claims through a partnership or other pass-through entity (including a subchapter S corporation), persons using a mark-to-market method of accounting, persons who are related to the Debtors within the meaning of the IRC, U.S. holders of claims who are themselves in bankruptcy, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons holding or that will hold Claims or interests in Reorganized Holding as part of a hedge, straddle, constructive sale, conversion transaction or other integrated transaction. This discussion does not address ~~the~~ state, local~~, estate, gift~~ or foreign tax consequences of the Plan, and does not discuss federal tax consequences other than income tax, for example estate, gift, or the 3.8% Medicare contribution tax, of the Plan. Except as stated otherwise, this summary also assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form. Furthermore, this summary only applies to U.S. holders that hold their Claims as capital assets for U.S. federal income tax purposes (generally, property held for investment).

The tax treatment of holders of Claims and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration, if any, received by the holder in exchange for the Claim, and whether the holder receives Distributions under the Plan in more than one taxable year; (iii) whether the holder is a United States person for tax purposes, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the holder has taken a bad debt deduction or a worthless securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the

holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim is considered a "security" for U.S. federal income tax purposes; and (xii) whether the "market discount" rules apply to the holder. In addition, if a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Claim, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships and their partners should consult their tax advisors about the U.S. federal income tax consequences of participating in the Plan. Therefore, each holder should consult such holder's own tax advisor for tax advice with respect to that holder's particular situation and circumstances, and the particular tax consequences to such holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of Distributions under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No ruling has been or will be sought from the IRS with respect to any of the tax consequences of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any U.S. holder of a Claim. This discussion is not binding upon the IRS or other taxing authorities or the Bankruptcy Court. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

**THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A U.S. HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH U.S. HOLDER IS STRONGLY URGED TO CONSULT SUCH U.S. HOLDER'S TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.**

### A. Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Claims

#### 1. Receipt of Debt ~~or Equity~~ in Exchange for an Allowed Revolving Facility Lender Claim or DIP Facilities Claim

Whether ~~the~~a U.S. holder of an Allowed Revolving Facility ~~Lender~~Lenders Claim, DIP Facilities Claim, or Note Claim recognizes gain or loss as a result of the exchange of its Claim

for ~~New Stock or~~ newly issued debt (including the Exit First Lien Facility ~~or~~, the Exit Second Lien Facility or the New Secured Notes, if any), depends, in part, on whether the exchange qualifies as a tax-free recapitalization, which in turn depends on whether the debt underlying the Allowed Claim surrendered, and the consideration received in the exchange, are each treated as a "security" for purposes of the reorganization provisions of the IRC (as described below). If the debt underlying the Allowed Claim surrendered and the consideration received are each treated as a "security," the exchange should be treated as a recapitalization and therefore as a reorganization under the IRC. If ~~either~~any such Claim is not a "security" for this purpose, or the consideration received is not a "security" for this purpose, a U.S. holder could be treated as exchanging its Claim in a fully taxable exchange.

Whether indebtedness or an obligation constitutes a "security" for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances and therefore depends upon the nature of the indebtedness or obligation. Most authorities have held that important factors to be considered include, among other things, the length of time to maturity and the purpose of the borrowing. These authorities have indicated that, generally, corporate debt instruments that mature less than five (5) years from issuance are not considered "securities" and corporate debt instruments that mature ten years or more from the time of issuance are considered "securities." Whether a debt instrument with a term of five or more, but less than ten, years is a security is unclear. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent, and whether such payments are made on a current basis or accrued. Allowed Claims for accrued interest generally are not considered "securities." However, U.S. holders of Claims that are due to receive ~~equity and/or~~ debt in accordance with the provisions of the Plan should consult their own tax advisors regarding whether such Claims constitute "securities" for these purposes.

~~If a debt instrument constituting a surrendered or exchanged~~As described above, if an Allowed Revolving Facility Lender Claim~~;~~, DIP Facilities Claim~~;~~, or Note Claim is treated as a "security" for U.S. federal income tax purposes, ~~then~~ the ~~tax treatment of a holder~~exchange of such ~~a~~Allowed Claim ~~will depend on the consideration received by such holder pursuant to the Plan. In the case of a holder of a debt instrument constituting a surrendered Note Claim being a "security" for tax purposes, the exchange of such a holder's Allowed Claim for New Stock should be treated as a recapitalization, and therefore a reorganization under the IRC. In the case of a holder of a debt instrument constituting a surrendered Allowed Revolving Facility Lender Claim or DIP Financing Facilities Claim being a "security" for tax purposes, the exchange of such a holder's Allowed Claim~~by a U.S. holder for new debt (including, the Exit First Lien Facility ~~and~~, the Exit Second Lien Facility or the New Secured Notes, if any) should be treated as a recapitalization, and therefore a reorganization under the IRC, if the new debt is a "security" for U.S. federal Income tax purposes. ~~Consequently, in the aforementioned scenarios~~In that case, a U.S. holder of such an Allowed Claim generally should not recognize gain on the exchange of its Claim for ~~New Stock or~~ new debt, except (a) to the extent that any ~~creditor~~ cash is received and (b) to the extent that any ~~New Stock,~~ new debt~~,~~ or ~~creditor~~ cash is treated as attributable to

accrued but untaxed interest on its Claim, as discussed further below. A U.S. holder, however, that realizes loss on such an exchange would likely not be permitted to recognize the loss.

Alternatively, if any of the debt underlying the ~~Note Claims,~~ Allowed Revolving Facility ~~Lender~~Lenders Claims, DIP Facilities Claims, or Note Claims, or the new debt (including, the Exit First Lien Facility ~~and~~, the Exit Second Lien Facility, or the New Secured Notes, if any) are not treated as a "security" for U.S. federal income tax purposes, the exchange ~~involving~~of the Claim ~~or~~for new debt ~~(either of which are not a "security" for U.S. federal income tax purposes)~~ could be a fully taxable transaction. If the exchange is fully taxable, a U.S. holder of a Claim will generally recognize gain or loss equal to the difference between the "amount realized" by such U.S. holder in exchange for its Claim and such U.S. holder's adjusted tax basis in the Claim. Any such gain or loss should be capital in nature (subject to the "market discount" rules described below) and should be a long term capital gain (or loss) if the surrendered Claims were held for more than one year by the U.S. holder. However, any such gain would be treated as ordinary income to the extent attributable to any market discount such U.S. holder had accrued with respect to its surrendered Claim, unless the U.S. holder has elected to include market discount in income currently as it accrues.

**The tax consequences of the Plan and to the U.S. holders of ~~Note Claims,~~ Allowed Revolving Facility Lender Claims, DIP Facilities Claims and Notes Claims are uncertain and depend on the application of complex rules to facts that are not clearly addressed by such rules. Such U.S. holders should consult their tax advisors regarding, among other things, whether such Claims and the consideration received therefor would be treated as "securities" for U.S. federal income tax purposes.**

### 2. Receipt of New Stock for a Note Claim

For purposes of this discussion, it is assumed that the transfer of New Stock in exchange for a Note Claim pursuant to the Plan will be treated for U.S. federal income tax purposes as an issuance of such New Stock by Reorganized Holding to Logan's Roadhouse (through any intermediate holding companies), followed immediately thereafter by a transfer of such New Stock by Logan's Roadhouse in exchange for such Note Claim. Under this characterization, a U.S. holder's receipt of New Stock in exchange for a Note Claim would be a fully taxable transaction. In that case, a U.S. holder of a Note Claim will generally recognize gain or loss equal to the difference between the "amount realized" by such U.S. holder in exchange for its Note Claim (which generally should equal the fair market value of the New Stock received) and such U.S. holder's adjusted tax basis in the Note Claim. Any such gain or loss should be capital gain or loss (subject to the "market discount" rules described below) and should be a long term capital gain (or loss) if the surrendered Note Claims were held for more than one year by the U.S. holder. However, any such gain would be treated as ordinary income to the extent attributable to any market discount such U.S. holder had accrued with respect to its surrendered Note Claim, unless the U.S. holder has elected to include market discount in income currently as it accrues.

Alternative characterizations of the transfer of New Stock in exchange for Note Claims are possible, which could result in U.S. federal income tax consequences different from those

described above. Holders of Note Claims should consult their own tax advisors regarding possible alternative characterizations as well as the consequences to them of such alternative characterizations, including possibly limiting the ability of holders of Note Claims to take a loss on such exchange.

### 3. ~~2.~~ Receipt of Cash in Satisfaction of a Claim

~~A~~Except to the extent attributable to accrued and unpaid interest (as discussed below), a U.S. holder who receives cash in exchange for its Allowed Claim will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash received in exchange for its Allowed Claim, and (ii) the U.S. holder's adjusted tax basis in its Allowed Claim that is treated as exchanged for cash. The character of such income, gain or loss as ordinary income or loss or as capital gain or loss will be determined by a number of factors, including the tax status of the U.S. holder, the nature of the Allowed Claim in such U.S. holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the U.S. holder, whether the Allowed Claim was purchased at a discount, and whether and to what extent the U.S. holder has previously claimed a bad debt deduction with respect to its Allowed Claim~~. To the extent that any amount received by a holder of an Allowed Claim is attributable to accrued interest not previously included in the Holder's income, such amount should be taxable to the holder as interest income. Conversely, a holder of an Allowed Claim may be able to recognize a deductible loss to the extent that any accrued interest on the Allowed Claim was previously included in the holder's gross income but was not paid in full by the Debtors. Such loss should be ordinary~~.

**The tax consequences of the Plan and to the U.S. holders receiving cash in consideration of their Claims are uncertain and depend on the application of complex rules to facts that are not clearly addressed by such rules. Such U.S. holders should consult their tax advisors.**

### 4. ~~3.~~ Receipt of Other Consideration

If a U.S. holder of a Claim receives consideration other than cash, New Stock or new debt in satisfaction of its Claim, the federal income tax consequences of the exchange will depend on many factors, including the type and mix of such consideration and the tax characterization of the Claim in the hands of the U.S. holder. Because the specifics of any such transaction are unknowable at this time, this summary does not address the tax consequences of such transactions. Accordingly, any such U.S. holder should explore such tax consequences with its tax advisor.

### 5. ~~4.~~ Accrued but Unpaid Interest

In general, to the extent a U.S. holder of a debt instrument receives cash or property in satisfaction of interest accrued but unpaid during the holding period of such instrument, the amount of such cash or the value of such property will be taxable to the U.S. holder as ordinary interest income (if not previously included in the U.S. holder's gross income). Conversely, such U.S. holder may recognize a deductible loss to the extent that any accrued interest was previously included in its gross income and is not paid. The extent to which cash or property received by a

U.S. holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all distributions in respect of any Allowed Claim will be allocated first to the principal amount of such Allowed Claim (as determined for U.S. federal income tax purposes), and thereafter, to the extent permitted under the Bankruptcy Code, to accrued but unpaid interest, if any. However, the provisions of the Plan are not binding on the IRS nor a Bankruptcy Court with respect to the appropriate tax treatment for creditors. Certain legislative history indicates that an allocation of consideration between principal and interest provided in a chapter 11 plan of reorganization generally is binding for U.S. federal income tax purposes. However, regulations issued by the IRS require, in general, that payments made on a debt instrument first be allocated to accrued but untaxed interest. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear.

Each U.S. holder of an Allowed Claim is urged to consult its tax advisor regarding the inclusion in income of amounts received in satisfaction of accrued but unpaid interest, the allocation of consideration between principal and interest, and the deductibility of previously included unpaid interest for tax purposes.

### 6. ~~5.~~ Market Discount

Under the "market discount" provisions of Sections 1276 through 1278 of the IRC, some or all of any gain realized by a U.S. holder exchanging the debt instruments constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of accrued "market discount" on the debt constituting the surrendered Allowed Claim.

In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or, (b) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. holder on the taxable disposition (determined as described above) of debts that it acquired with market discount will generally be treated as ordinary income to the extent of any market discount that accrued thereon while such debts were considered to be held by the U.S. holder (unless the U.S. holder elected to include market discount in income as it accrued). If a U.S. holder did not elect to include market discount in income as it accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry the obligations constituting its Allowed Claim, such deferred amounts would become deductible at the time of such taxable disposition. To the extent that the surrendered debts that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property, any additional accrued but unrecognized market discount may be required to be carried over to the property received therefor. Any gain recognized by such U.S. holder on a subsequent sale, exchange, redemption or other disposition of such property received under the Plan may be treated as ordinary income to the extent of such accrued but unrecognized market discount with respect to the exchanged debt instrument.

### 7. ~~6.~~ Backup Withholding Tax and Information Reporting Requirements

The ~~Debtors~~applicable withholding agent will withhold all amounts required by law to be withheld from payments of interest. The ~~Debtors~~applicable withholding will comply with all applicable information reporting requirements of the IRC. Payments and other distributions in respect of Allowed Claims under the Plan may be subject to applicable information reporting and backup withholding. ~~Backup~~Unless the payee otherwise establishes an exemption, backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan if the U.S. holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. holder's U.S. federal income tax liability, and a U.S. holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS.

In addition, from an information reporting perspective, U.S. Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. ~~Holders~~U.S. holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the U.S. holders' tax returns.

## B. Certain U.S. Federal Income Tax Consequences of the Plan to the Debtors

### 1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("**COD Income**") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, (y) the issue price of any new debt instrument issued by the debtor and (z) the fair market value of any other consideration (including New Stock) given in satisfaction of such indebtedness at the time of the exchange. The issue price of any such new debt instrument is determined under either Section 1273 or 1274 of the IRC. Generally, these provisions treat the fair market value of a ~~publicly traded~~ debt instrument treated as publicly traded for U.S. federal income tax purposes as its issue price and the stated principal amount of any other debt instrument as its issue price if its terms provide for interest not less than the applicable federal rate.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a Bankruptcy Court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a

consequence of such exclusion, a debtor must generally reduce its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) net operating losses ("**NOLs**"); (b) most tax credits; (c) capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); and (e) foreign tax credits. A debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to Section 108(b)(5) of the IRC. In the context of a consolidated group of corporations, the tax rules provide for a complex ordering mechanism in determining how the tax attributes of one member can be reduced by the COD Income of another member.

Because the Plan provides that holders of certain Claims will receive New Stock, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the New Stock. This value cannot be known with certainty until after the Effective Date. In addition, it has not been determined whether the Debtors will make the election under Section 108(b)(5) of the IRC.

**2. Accrued Interest**

To the extent that there exists accrued but unpaid interest on indebtedness owing to holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been deducted previously by the Debtors, portions of payments made in consideration for the indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest should be deductible by the Debtors. Any such interest that is not paid will not be deductible by the Debtors and will not give rise to COD Income.

To the extent that any of the Debtors have previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to such Debtors. If such amounts are not paid, they will give rise to COD Income that would be excluded from gross income pursuant to the bankruptcy exclusion discussed above. As a result, the Debtors would be required to reduce their tax attributes to the extent of such interest previously deducted and not paid.

**3. Utilization of Net Operating Loss Carryforwards**

**(a) ~~a.~~ Limitation on NOLs and Other Tax Attributes**

The amount of tax attributes that will be available to the Reorganized Debtors at emergence is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: (a) the amount of tax losses incurred by the Debtors in applicable prior tax years; (b) the fair market value of the New Stock; and (c) the amount of COD Income realized by the Debtors in connection with consummation of the Plan. Following consummation of the Plan, ~~the Debtors anticipate that~~ any remaining NOLs (if any) could be subject to limitation under Section 382 of the IRC by reason of the transactions pursuant to the Plan. At this time, but subject to further consideration, Reorganized Debtors are not anticipating significant NOLs or other tax attributes following emergence.

Under Section 382 of the IRC, whenever a corporation (or a consolidated group) undergoes an "ownership change," the ability of the corporation to utilize its NOL carryovers and certain subsequently recognized built-in losses and deductions (collectively, "**Pre-Change Losses**") to offset future taxable income may be subject to an annual limitation. As discussed in greater detail herein, ~~the Debtors anticipate that~~ the issuance of the New Stock pursuant to the Plan could result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Debtors' use of their Pre-Change Losses could be subject to limitation unless an exception to the general rules of Section 382 of the IRC applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income which may result in the use of all of Debtors NOLs.

### (b) ~~b.~~ General Section 382 Annual Limitation

This discussion refers to the limitation determined under Section 382 of the IRC in the case of an "ownership change" as the "**Section 382 Limitation**." In general, the annual Section 382 Limitation on the use of Pre-Change Losses in any "post-change year" is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs) in effect for the month in which the "ownership change" occurs. The Section 382 Limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the "ownership change," or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the IRC applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, if a corporation that has undergone an "ownership change" does not continue its historic business or ~~uses~~use a significant portion of its assets in a new business for two (2) years after the "ownership change", the annual limitation resulting from the "ownership change" is reduced to zero (0), thereby precluding any utilization of the corporation's Pre-Change Losses, absent any increases due to recognized built-in gains discussed above. Furthermore, if the corporation (or the consolidated group) undergoes a second "ownership change," the second "ownership change" may result in a lesser Section 382 Limitation with respect to any losses that existed at the time of the first "ownership change." Generally, NOL carryforwards expire after twenty (20) years. As discussed below, however, special rules may apply in the case of a corporation which experiences an "ownership change" as the result of a bankruptcy proceeding.

### (c) ~~c.~~ Built-In Gains and Losses

Under certain circumstances, Section 382 of the IRC also limits the deductibility of certain built-in losses that are recognized during the five-year period following the date of an "ownership change." In particular, subject to a de minimis exception, if a loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in loss at the time of an "ownership change" (taking into account its assets and items of "built-in" income and deduction), then any built-in losses recognized during the following five (5) years (up to the amount of the original net unrealized built-in loss) generally will be treated as a pre-change loss and will be subject to the Section 382 Limitation.

Conversely, if the loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in gain during the five year period following the "ownership change," any built-in gains recognized during such period (up to the amount of the original net unrealized built-in gain) generally will increase the Section 382 Limitation in the year recognized, such that the loss corporation (or loss consolidated group or subgroup) would be permitted to use its pre-change NOLs against such built-in gain income in addition to its regular Section 382 Limitation.

Although the rules applicable to net unrealized built-in losses generally apply to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within five (5) years prior to the "ownership change" may not be taken into account in the group computation of net unrealized built-in loss. Nevertheless, such corporations would be taken into account in determining whether the consolidated group has a net unrealized built-in gain.

The issuance under the Plan of the New Stock, along with the cancellation of existing equity, may cause an "ownership change" with respect to the Debtors. As a result, unless the exception discussed below applies, the Debtors' Pre-Change Losses may be subject to the Section 382 Limitation (as described above). The Section 382 Limitation may be increased to the extent that the Reorganized Debtors recognize certain built-in gains in their assets during the five-year period following the "ownership change." If, in any year, the amount of Pre-Change Losses used by the Reorganized Debtors to offset income is less than the Section 382 Limitation, any unused limitation may be carried forward, thereby increasing the Section 382 Limitation (the amount of Pre-Change Losses which may offset income) in the subsequent taxable year of the Reorganized Debtors.

### (d) ~~d.~~ Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when shareholders and/or "qualified creditors" of a debtor company in chapter 11 receive, in respect of their equity interests in the debtor or "qualified indebtedness" (as defined in Treasury Regulations Section 1.382-9(d)(2)), at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "**382(l)(5) Exception**"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis but, instead, the debtor's NOLs are required to be reduced by the amount of any interest deductions claimed during any taxable year ending during the three-year period preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the debtor undergoes another "ownership change" within two (2) years after consummation, then the debtor's Pre-Change Losses effectively are eliminated in their entirety. It is not clear whether the Debtors will satisfy the requirements for the 382(l)(5) Exception or, if they do, if they will avail themselves of its provisions.

When the 382(l)(5) Exception is not applicable (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply to a debtor in chapter 11 (the "**382(l)(6) Exception**"). When the 382(l)(6) Exception applies, a debtor corporation that undergoes an "ownership change" generally is

permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors' claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception differs from the 382(l)(5) Exception in that the debtor corporation is not required to reduce its NOLs by interest deductions in the manner described above, and the debtor may undergo a change of ownership within two (2) years without triggering the elimination of its Pre-Change Losses.

It is possible that the Debtors will not qualify for the 382(l)(5) Exception. Alternatively, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of Section 382 of the IRC were to occur after the Effective Date. In order to prevent such a subsequent "ownership change," the new organizational documents of Reorganized Debtors may contain restrictions on trading of New Stock that are intended to prevent such a change. The need for, ~~if any,~~ or the specific terms of ~~any~~, such restrictions (if any) have not yet been determined.

C. ~~4.~~ **Alternative Minimum Tax**

In general, an alternative minimum tax ("**AMT**") is imposed on a corporation's alternative minimum taxable income ("**AMTI**") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, as a general rule, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards.

Additionally, under Section 56(g)(4)(G) of the IRC, an "ownership change" (as discussed above) that occurs with respect to a corporation having a net unrealized built in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the "ownership change" to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under Section 382(h) of the IRC, immediately before the "ownership change." A corporation that pays AMT generally is later allowed a nonrefundable credit (equal to a portion of its prior year AMT liability) against its regular federal income tax liability in future taxable years when it is no longer subject to the AMT.

**THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR U.S. HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY FEDERAL,**

**STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

## ARTICLE ~~XIII~~XIV.

## CONCLUSION

The Debtors believe the Plan is in the best interest of all holders of Claims against the Debtors, and all holders of Equity Interests in the Debtors, and, accordingly, urge those who are entitled to vote on whether to accept or reject the Plan to vote to accept the Plan.

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IN WITNESS WHEREOF, each Debtor has executed this Disclosure Statement this ~~16th~~[ ] day of ~~August~~September, 2016.

ROADHOUSE HOLDING INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

LOGAN'S ROADHOUSE, INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

ROADHOUSE INTERMEDIATE INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

LOGAN'S ROADHOUSE OF KANSAS, INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

ROADHOUSE MIDCO INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

LOGAN'S ROADHOUSE OF TEXAS, INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

ROADHOUSE PARENT INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

LRI HOLDINGS, INC.

By: ~~/s/ Keith A. Maib~~
Name: Keith A. Maib
Title: Chief Restructuring Officer of Finance

**EXHIBIT A**

**Debtors' Joint Plan of Reorganization**

**EXHIBIT B**

**Disclosure Statement Order**

(TO BE PROVIDED ONCE ENTERED)

# EXHIBIT C

## Restructuring Support Agreement

**EXHIBIT D**

**Financial ~~Projection~~Projections**

~~(TO BE PROVIDED)~~

**EXHIBIT E**

**Valuation Discussion**
~~(TO BE PROVIDED)~~

## VALUATION ANALYSIS

### Estimated Enterprise and Implied Equity Valuation of the Reorganized Debtors

THE VALUATION INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN. THIS VALUATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE[15] TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS.

Solely for purposes of the Plan and the Disclosure Statement, Jefferies LLC ("**Jefferies**"), as investment banker and financial advisor to the Debtors, has estimated the total enterprise value (the "**Total Enterprise Value**") and implied equity value (the "**Equity Value**") of the Reorganized Debtors on a going concern basis and pro forma for the transactions contemplated by the Plan.

In preparing the estimates set forth below, Jefferies has relied upon the accuracy, completeness, and fairness of financial and other information furnished by the Debtors. Jefferies did not attempt to independently audit or verify such information, nor did it perform an independent appraisal of the assets or liabilities of the Debtors or Reorganized Debtors.

The valuation information set forth in this section represents a valuation of the Reorganized Debtors based on the application of standard valuation techniques. The estimated values set forth in this section:

(a) do not purport to constitute an appraisal of the assets of the Debtors or Reorganized Debtors;

(b) do not constitute an opinion on the terms and provisions or fairness from a financial point of view to any person of the consideration to be received by such person under the Plan;

(c) do not constitute a recommendation to any Holder of Allowed Claims as to how such person should vote or otherwise act with respect to the Plan; and

(d) do not necessarily reflect the actual market value that might be realized through a sale or liquidation of the Debtors or Reorganized Debtors.

In estimating the Total Enterprise Value and implied Equity Value of the Reorganized Debtors, Jefferies consulted with the Debtors' Co-Chief Restructuring Officers and senior management team to discuss the Debtors' operations and future prospects, reviewed the Debtors' historical financial information, and reviewed certain of the Debtors' internal financial and

[15] Unless otherwise defined herein, capitalized terms have the meaning ascribed to them in the *Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code*, dated August 16, 2016 (the "**Plan**"), filed by Roadhouse Holding Inc. and its affiliated Debtors or the Disclosure Statement (as defined in the Plan).

operating data, including the Debtors' financial projections for the Reorganized Debtors attached as **Exhibit D** to the Disclosure Statement (the "**Financial Projections**").

The estimated values set forth herein assume that the Reorganized Debtors will achieve the Financial Projections in all material respects. Jefferies has relied on the Debtors' representation and warranty that the Financial Projections (a) have been prepared in good faith; (b) are based on fully disclosed assumptions, which, in light of the circumstances under which they were made, are reasonable; (c) reflect the Debtors' best currently available estimates; and (d) reflect the good faith judgments of the Debtors. Jefferies does not offer an opinion as to the attainability of the Financial Projections. As disclosed in the Disclosure Statement, the future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors and Jefferies, and consequently are inherently difficult to project.

This report contemplates facts and conditions known and existing as of September 9, 2016. Events and conditions subsequent to this date, including updated projections, as well as other factors, could have a substantial effect upon the Total Enterprise Value and implied Equity Value. Among other things, failure to consummate the Plan in a timely manner may have a materially negative effect on the Total Enterprise Value and implied Equity Value. For purposes of this Valuation Analysis, Jefferies has assumed that no material changes that would affect value will occur between September 9, 2016 and the contemplated Effective Date of November 14, 2016.

The following is a summary of analyses performed by Jefferies to arrive at its recommended range of estimated Total Enterprise Value and implied Equity Value of the Reorganized Debtors.

1. **Discounted Cash Flow Analysis**

The discounted cash flow analysis relates the value of an asset or business to the present value of expected future cash flows generated by that asset or business. The discounted cash flow analysis discounts the expected future cash flows by a theoretical or observed discount rate, in this case determined by estimating the cost of equity and cost of debt for the subject company based upon analysis of similar publicly traded companies. This approach has two components: (i) calculating the present value of the projected unlevered after-tax free cash flows for a determined period and (ii) adding the present value of the terminal value of cash flows. The terminal value represents the portion of enterprise value that lies beyond the time horizon of the available projections.

In performing the discounted cash flow analysis, Jefferies made assumptions for (i) the weighted average cost of capital (the "**Discount Rate**"), which is used to calculate the present value of future cash flows; and (ii) the terminal Adjusted EBITDA multiple, which was used to determine the terminal value of the Reorganized Debtors. Jefferies used a range of Discount Rates for the Reorganized Debtors, which reflects a number of company and market-specific factors, and is calculated based on the cost of capital for companies that Jefferies deemed similar. In determining Adjusted EBITDA terminal multiples, Jefferies relied upon various analyses including, among other things, the range of Adjusted EBITDA trading multiples of projected

performance for the next calendar year of selected publicly traded companies that Jefferies deems to be similar to the Reorganized Debtors.

This approach relies on the Debtors' ability to project future cash flows with some degree of accuracy. Because the projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized.

**2. Comparable Companies Analysis**

The comparable companies analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, the enterprise value for each selected public company is determined by examining the trading prices for the equity securities of such company in the public markets and adding the outstanding net debt for such company. Such enterprise values are commonly expressed as multiples of various measures of financial and operating statistics, most commonly Adjusted EBITDA. The Total Enterprise Value is then calculated by applying these multiples to the Reorganized Debtors' projected financial metrics. The selection of public comparable companies for this purpose was based upon the business profile, scale, profitability and other characteristics of the comparable companies that were deemed relevant.

**Total Enterprise Value and Implied Equity Value**

As a result of the analysis described herein, Jefferies estimated the Total Enterprise Value of the Reorganized Debtors to be approximately $131 million to $157 million, with a mid-point of $144 million. Based on assumed pro forma total debt of $103 million and assumed pro forma excess cash of $0 as of the Effective Date, the Total Enterprise Value implies an Equity Value range of $28 to $54 million, with a midpoint of $41 million. For purposes of determining the Total Enterprise Value and implied Equity Value, Jefferies has assumed that the Reorganized Debtors have no excess cash at emergence, which would otherwise be accretive to value. However, Jefferies has been advised that the amount of excess cash at emergence could range for zero to $5 million depending on, among other things, the actual amount of the costs of administering the Chapter 11 Cases (including, without limitation, professional fees paid by the Debtors) and which executory contracts and unexpired leases the Debtors elect to assume and the corresponding cure amounts.

The estimate of Total Enterprise Value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein depending on the results of the Debtors' and Reorganized Debtors' operations or changes in the financial markets. Additionally, these estimates of value represent the hypothetical enterprise value of the Reorganized Debtors as the continuing operator of their businesses and assets, and do not purport to reflect or constitute appraisals, liquidation values, or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. Such estimates were developed solely for purposes of formulation and negotiation of the Plan and analysis of implied relative recoveries to creditors thereunder. The value of an operating business such as

the Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such businesses.

Jefferies' estimated valuation range of the Reorganized Debtors does not constitute a recommendation to any holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan. The estimated value of the Reorganized Debtors set forth herein does not constitute an opinion as to the fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Because valuation estimates are inherently subject to uncertainties, none of the Debtors, Jefferies, or any other person assumes responsibility for their accuracy or any differences between the estimated valuation ranges herein and any actual outcome.

**EXHIBIT F**

**Liquidation Analysis**

## HYPOTHETICAL LIQUIDATION ANALYSIS

To assist the Court in making the findings required under section 1129(a)(7) of the Bankruptcy Code, the Debtors have prepared this hypothetical Liquidation Analysis. The Plan proposes distributions from the Debtors' estates on a consolidated basis, and this Liquidation Analysis has also been prepared on a consolidated basis. As such, proceeds realized from each Debtor are aggregated into a common distribution source. For purposes of distribution, each and every asserted Claim against and Equity Interest in any Debtor is entitled to a distribution from the aggregated proceeds. Any Claim against a Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors are deemed to have one right to a distribution from the aggregated proceeds.

The Liquidation Analysis presents both a "High" and "Low" range of estimated Liquidation Proceeds representing a range of management's assumptions and estimates relating to the proceeds to be received from the liquidation of the assets less the costs incurred during the liquidation. It is assumed that the Chapter 7 cases would be administered over a period of twelve months. The assumed date of the conversion to a hypothetical Chapter 7 Liquidation is approximately November 14, 2016 (the "**Conversion Date**"). It is assumed that a Chapter 7 trustee would be appointed for the Debtors (the "**Trustee**"), he or she would retain counsel and a financial advisor, and certain current corporate and field-based employees of the Debtors would be employed for a limited period to wind-down the Debtors' operations. The Liquidation Analysis further assumes that the Trustee does not possess the financial or operational resources to continue to operate the Debtors' restaurant locations for any period, including the extended period that would be required to conduct a going-concern sale process. As a result, the Liquidation Analysis assumes that the Trustee would immediately close company-operated locations and sell assets on an expedited basis. The Liquidation Analysis assumes, however, that the Trustee would undertake a 60 to 75 day marketing and auction process for the Debtors' leasehold interest and improvements on a non-operating basis ("**Store Sales**"), and the Liquidation Analysis reflects net proceeds form Store Sales that are exclusive of carrying costs for the stores after the Conversation Date, cure amounts, and transaction specific fees, costs and expenses. The Debtors' assumptions regarding the marketability and value of their leaseholds and improvements are based on the experience of the Debtors' management and real estate advisors. In an actual liquidation, it is possible that, due to purchaser-specific and macroeconomic factors, some of the leaseholds and improvements that the Debtors believe are valuable may not be sold. However, the Debtors believe that the values ascribed herein represent a reasonable estimate of what could be achieved from Store Sales conducted during a Chapter 7 liquidation.

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based upon a review of their books and records through the date of this analysis. The Liquidation Analysis also includes estimates for Claims which could be asserted and Allowed in a chapter 7 liquidation, including Administrative Claims, employee-related obligations, wind-down costs (as detailed herein), the Trustee's fees, tax liabilities, and other Allowed Claims. To date, the Court has not estimated or otherwise fixed the total amount of Allowed Claims. For purposes of the Liquidation Analysis, the Debtors' have estimated the amount of Allowed Claims and provided ranges of projected recoveries based on certain assumptions. Therefore, the Debtors' estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied upon for any

purpose other than considering the hypothetical distributions under a Chapter 7 liquidation. Nothing contained in the Liquidation Analysis is intended to be or constitutes a concession or admission by the Debtors. The actual amount of Allowed Claims in the Chapter 11 Cases could materially differ from the estimated amounts set forth in the liquidation analysis.

**Factors Considered in Valuing the Hypothetical Liquidation Proceeds**

Factors that could negatively impact the recoveries set forth in the Liquidation Analysis include: (i) turnover of key personnel; (ii) challenging economic conditions; (iii) delays in the liquidation process; (iv) possible difficulty in obtaining landlord consent to assume and assign leases to third party buyers; and (v) possible difficulty in finding willing buyers. Accordingly, these factors may limit the amount of the proceeds that are available to the Trustee through the liquidation of the Debtors' assets.

**Waterfall and Recovery Range**

The Liquidation Analysis assumes that the proceeds generated from the liquidation of all of the Debtors' assets, plus Cash estimated to be held by the Debtors on the Conversion Date, will be reasonably available to the Trustee and the Debtors' secured creditors will have consented to the use of cash collateral as set forth in the Liquidation Analysis and accompanying footnotes. After deducting the costs of liquidation, including, the Trustee's fees and expenses and other administrative expenses incurred in the liquidation, the Trustee would allocate net liquidation proceeds to holders of Claims and Interests in accordance with the priority scheme set forth in section 726 of the Bankruptcy Code. The Liquidation Analysis estimates high and low recovery percentages for Claims and Interests upon the Trustee's application of the liquidation proceeds.

The Debtors have worked with their advisors to estimate ranges of recoveries as provided in this Liquidation Analysis. These ranges are estimate and should not be relied upon by any party. The Debtors do not provide assurance of any recovery.

The statements in the Liquidation Analysis, including estimates of Allowed Claims, were prepared solely to assist the Court in making the findings required under section 1129(a)(7) of the Bankruptcy Code and they may not be used or relied upon for any other purpose.

THE DEBTORS BELIEVE THAT ANY ANALYSIS OF A HYPOTHETICAL LIQUIDATION IS NECESSARILY SPECULATIVE. THERE ARE A NUMBER OF ESTIMATES AND ASSUMPTIONS UNDERLYING THE LIQUIDATION ANALYSIS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR A CHAPTER 7 TRUSTEE. NEITHER THE LIQUIDATION ANALYSIS, NOR THE FINANCIAL INFORMATION ON WHICH IT IS BASED, HAS BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THERE CAN BE NO ASSURANCE THAT ACTUAL RESULTS WILL NOT VARY MATERIALLY FROM THE HYPOTHETICAL RESULTS PRESENTED IN THE LIQUIDATION ANALYSIS.

The major assumptions utilized by the Debtors in creating the Liquidation Analysis are detailed below.

**Proceeds from Liquidation of Assets**

1 *Cash and Cash Equivalents*: The amounts shown are the projected cash balances available to the Debtors as of the Conversion Date. The estimated cash balances are based on projected cash flows through to the Conversion Date. The cash balances are (i) prior to any wind-down costs required for the Liquidation, except as noted; (ii) exclude payment of any Professional Fees accrued but unpaid to that date; and (iii) do not include any "restricted cash" or cash in escrow accounts.

2 *Estimated Accrued and Unpaid Sales Tax:* The Debtors estimate that accrued sales tax at the Conversion Date would be approximately $1.8 million to $2.2 million. The Debtors collect sales tax on customer sales and remit the proceeds to the respective taxing jurisdictions approximately one month after collection. These proceeds are in effect "Trust Fund" proceeds and would be remitted to the taxing jurisdictions prior to any other claim, including any Super-Priority claims being paid.

3 *PACA*: Claims under the Perishable Agricultural Commodities Act ("**PACA**") payable at the time of conversion are approximately equivalent to the amount of such claims that existed at the Petition Date, which was approximately $750,000. It is assumed that these claims will be recovered in full based on the protection afforded to vendors under PACA.

4 *Receivables*: Receivables were analyzed by the following major general ledger accounts:

a Credit Card Receivables: Represents receipts for meal purchases collected generally within one or two days from the actual sale. Recovery is assumed at a range of 95% to 98%, after deductions for fees charge-backs and true-ups.

b Rebates: Represents rebates from food producers and food manufacturers. Recovery has been assumed at a range of 25% to 75%, since rebates are dependent on the producers or manufactures being paid by our food distributors. In the event of a Chapter 7 liquidation, distributors may not pay the suppliers for certain of the goods yielding the lower recovery rate on rebates.

c Franchisee Fees: The Debtors support two franchisees that operate approximately 26 restaurants. The Debtors bill the Franchisee's in arrears for marketing costs and other expenses based on a contractual formula. The Debtors anticipate that the franchise relationships will terminate upon a conversion to Chapter 7, and collection of these receivables in a wind-down scenario could be offset by various counter-claims and defenses to payment as a result of that termination.

d Other: Represents other various items ranging from payments in excess of deductibles for insurance claims, employee payroll withholding programs and

various vendor claims. Recoveries are projected at 5% to 90% depending on the type of receivable.

5 *Inventory*: Inventory includes two primary categories: Food and related items, liquor, beer and wine in the restaurants (34% of total) and smallwares, which include cooking and serving items such as pots, pans, utensils, flatware, plates, cups, and other small food handling equipment (66% of total).

a Food: Due to its highly perishable nature, relatively small value in each restaurant, and wide geographic dispersion, food products would be sold to liquidators or donated to food banks with recoveries ranging between 1% and 5% of cost.

b Smallwares: In a large-scale liquidation such as this, the value of the smallwares is estimated to range between $400 to $1,200 per restaurant or approximately 1% to 3% of the book value.

6 *Prepaid and Other Current Assets*:

a Prepaid Insurance: Represents premiums for various insurance policies including property, general liability, auto, etc. The prepaid items are assumed to be applied during the wind-down period with a recovery of only 10% to 25%, attributable to policies no longer needed as part of the liquidation or otherwise cancelled.

b Prepaid Advertising: Represents deposits made to advertisers for marketing materials and events that will be halted as part of the liquidation process. Recovery is estimated at between 0% and 10%, so long as such advertising could be stopped prior to their run dates and the prepaid amounts are not otherwise subject to forfeiture.

c Other: Represents various corporate and store level deposits for goods and services paid for in advance. Gross dollar amount prepaid are small with expected recoveries ranging between 10% and 67%.

7 *Property, Plant and Equipment:* Property, Plant and Equipment was analyzed in the following major groups. All recoveries are presented net of transaction specific costs, including commissions:

a Corporate and Store Furniture Fixture and Equipment: Based on consultation with third party restaurant liquidation/disposal companies, the Debtors have estimated that in a wind-down scenario the recovery on restaurant furniture, fixture and equipment would range between $.50 to $1.00 per square foot, before marketing cost ranging from $5,000 to $7,500 per store. Recoveries on Corporate Office furniture, fixture and equipment are estimated to be $250,000 to $500,000. Under these assumptions the net recovery on furniture fixture and equipment would range from $250,000 to $1.1 million, 2% of original cost.

b Leasehold Improvements: Represents leasehold improvements such as buildings, renovations and remodels at leased restaurants that will be closed upon

liquidation. The Debtors have assumed that 75% of the proceeds from Store Sales will be apportioned to leasehold improvements (buildings) on ground leases.

8 *Goodwill*: Goodwill with a book value of $93.9 million is assumed to have no value under in a Chapter 7 liquidation.

9 *Tradename*: The tradename had been valued at $27.1 million on a going concern basis. The Debtors have estimated that there will be limited value for the tradename in a wind-down scenario, rather than a going-concern sale. The value has been estimated to range from $0 to $542,000, 2% of book value.

10 *Other Intangibles and Other Assets:* Included in this category are deferred financing and transaction costs, franchise agreements, licenses and permits and CAM deposits. These assets are deemed to have no value in a wind-down scenario given their lack of transferability and expected likelihood of recovery and collection.

11 *Leasehold Interests*: The Company currently leases approximately 213 restaurant properties with rents both above and below prevailing market rates. These leases would be assumed and assigned in the Store Sales. The Debtors have allocated 25% of the expected proceeds from Store Sales to leasehold interests.

12 *Chapter 5 Actions and Other Litigation:*

a Chapter 5 Actions: In a Chapter 7 liquidation, the Trustee would consider pursuing various potential avoidance actions under Chapter 5 of the Bankruptcy Code, including to recover preferential payments from creditors that were made by the Company during the 90 day period prior to the Petition Date. The Debtors recently began the process of reviewing their payment records to determine the amount and number of potential preference action items that could be pursued, but have not yet formed a view of the likely value of these actions. The Liquidation Analysis does not reflect any potential recoveries that might be realized by the Trustee's potential pursuit of any avoidance actions, as the Debtors believe that the amount of potential recoveries on such actions is highly speculative in light of, among other things, the various defenses that would likely be asserted.

b Pending Lawsuits: The Debtors have several pending lawsuits against third parties but given a wind-down. While the Debtors believe that their claims are meritorious in these actions, the Debtors have not included an estimate of recovery given the uncertainties inherent and litigation and the possibility that the Trustee may determine not to further pursue these actions.

**Liquidation Costs and Reserve Claims**

13 *Operational Wind-Down Costs*: Operational wind-down costs are expected to range from approximately $2.2 million to $2.9 million over the course of an eight-week wind-down period. To maximize recoveries on the Debtors' assets, minimize the amount of Claims, and generally ensure an orderly Chapter 7 liquidation, it is assumed that the Trustee will continue to employ a number of the Debtors' employees for a limited amount of time

during the Chapter 7 liquidation process. For purposes of this analysis, these individuals have been segregated into company-operated store personnel and corporate personnel. The company-operated store personnel will primarily be responsible for the sale of inventory, furniture, fixtures, and equipment at the Debtors' restaurants as well as returning the leaseholds back to the landlord or transferring locations to buyers in the Store Sales. The corporate personnel will primarily be responsible for oversight of the store closure process, finalization of employee benefit matters, cash collections, payroll and tax reporting, accounts payable and other books and records, and responding to certain legal matters related to the wind-down.

The estimated time to complete the asset sales at the restaurants is three weeks and sale of the other assets are expected to take three to five weeks. All of these activities are assumed to take place concurrently.

Personnel-requirement assumptions include the following:

a Store-level managers will be needed during the Store Sales process and for turnover of the closed stores.

b Operations management will be required to oversee the store-closure process and sale of equipment and other store-level assets.

c Accounting, human resources and tax personnel will be required to oversee and manage the finalization of employee benefit matters, cash collections, payroll and tax reporting, accounts payable and other reporting and recordkeeping activities.

Other costs include closing down existing office space, or renting smaller space during the wind-down, utilities and other overhead for the corporate personnel during the wind-down process, rent and utilities for the company operated stores during the asset sale process and cure costs related to any assumed leases.

14 *Chapter 7 Trustees Fees*: The Trustee's fees have been estimated to be 3% of moneys disbursed or turned over to parties in interest in accordance with section 326 of the Bankruptcy Code. Costs for the Trustee's professionals are estimated at $500,000 to $750,000.

15 *Professional Fees*: The Debtors estimate that Professional Fees will be consistent with the Budget (as defined in the DIP Loan Documents) and that approximately $1.7 million of Professional Fees provided for under the Carve-Out (as defined in the DIP Loan Documents) will have been incurred but will remain unpaid as of the Conversation Date.

16 *Unencumbered Assets; Payover*: While certain assets were not the subject of the liens granted to holders of Revolving Facility Lender Claims and Notes Claims as of the Petition Date, under the DIP Loan Documents, the Debtors granted (i) liens on substantially all of their assets to the DIP Lenders (referred to as the "DIP Collateral"), and (ii) adequate protection liens in favor of the Revolving Facility Lenders and the Noteholders on the DIP Collateral. Additionally, Paragraph 11 of the Interim DIP Order requires the DIP Lenders, except in certain limited circumstances, to pay over all

proceeds of DIP Collateral to the Revolving Facility Lenders until the Revolving Facility Lender Claims are satisfied (or cash collateralized in the case of letters of credit). As a result, the Liquidation Analysis assumes that the pay-over provisions of the Interim DIP Order are implemented.

**Distribution of Proceeds**

17 *Revolving Facility Lender Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $29.1 million outstanding under the Revolving Facility Loan Documents which includes a $5.1 million letter of credit facility.

18 *DIP Facilities Claims*: The New Money Facility (as defined in the DIP Loan Documents) provides for borrowing up to $25.0 million. The Debtors anticipated that no more than $20.7 million will be outstanding under the New Money Facility as of the Conversion Date. The DIP Loan Documents also provide for the Roll Up Facility, which provides for a "2 for 1" rollup of the Notes based on amounts advanced under the New Money Facility. The amount of the DIP Facilities Claims is inclusive of all obligations under the New Money Facility and Roll Up Facility. There are insufficient proceeds for holders of DIP Facilities Claims to obtain any recovery in a Chapter 7 liquidation after taking into account the pay-over provisions discussed in Note 16.

19 *Notes Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $360.4 million in principal plus accrued interest and paid-in-kind interest outstanding under the Prepetition Second Lien Credit Agreement, which excludes approximately $41.4 million of Notes exchanged under the Roll Up Facility. There are insufficient proceeds for holders of Notes Claims to obtain any recovery in a Chapter 7 liquidation.

20 *Chapter 11 Administrative Expenses*: Chapter 11 Administrative Expenses of $16.7 million represent amounts incurred by the Debtors' in the Chapter 11 Cases through the Conversion Date that will remain unpaid (excluding Professional Fees).

21 *Priority Claims* - Priority Claims are Claims accorded priority in right of payment (under section 507(a) of the Bankruptcy Code) arising from the chapter 7 liquidation or the prior chapter 11 proceedings. For purposes of this analysis, the Debtors have assumed Priority Claims arising from the Debtors' hypothetical chapter 7 cases to be zero, which includes the assumption that any unpaid personal property taxes would be paid from, and are excluded from the amount presented for, the proceeds of the sales of the Debtors' assets.

22 *General Unsecured Claims*: On the Conversion Date, the Debtors estimate that there will be approximately $66.8 million outstanding on account of General Unsecured Claims, excluding an intercompany note payable in the amount of approximately $125.5 million. This amount is comprised of $11.4 million on account of trade claims, $50 million on account of estimated rejection damages claims, and the remaining balance is on account of other miscellaneous claims. The Debtors have not included in this estimate claims arising from the successful prosecution of litigation against the Debtors. Further, the Debtors have not included any deficiency claims held by the Revolving Facility Lenders

(who are not being paid in full in either scenario under the Liquidation Analysis) or the Noteholders (who are not receiving any distribution on account of the Notes in either scenario under the Liquidation Analysis). There are insufficient proceeds for holders of General Unsecured Claims to obtain any recovery in a Chapter 7 liquidation.

23 *Existing Equity Interests:* There are insufficient proceeds for holders of Existing Equity Interests to receive any distribution in a Chapter 7 liquidation.

**EXHIBIT G**

**Confirmation Hearing Notice**

(TO BE PROVIDED ONCE DISCLOSURE STATEMENT ORDER ENTERED)

Document comparison by Workshare Compare on Monday, September 12, 2016 10:58:37 AM

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